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JPRS Report

West Europe

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WEST EUROPE

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SWEDEN SETS UP ISLAND'S FIRST CONSUL

Godthaab GRONLANDSPOSTEN in Danish 8 Apr 87 p 4

[Text] Director Hans Pavia Egede, Nuuk, has been named Sweden's General Consul in Greenland and has accepted an appointment written in Greenlandic.

Thirty-two-year-old Director Hans Pavia Egede of the firm Egede and Brons in Nuuk, was appointed last week as history's first Greenland-born consul, and with this also Sweden's first general consul in Greenland. It took place in a ceremony in which Hakon Bergren of Sweden's foreign office in the name of King Carl Gustaf presented the document of appointment to Hans Pavia Egede.

Hakon Bergren read the document, which is written in Greenlandic and which runs in Danish translation: With this I declare the Swedish General Consulate in Greenland to be opened, and as a confirmation of this I present this document, signed by His Majesty Carl Gustaf, Sweden's king, to the new consul, Hans Pavia Egede.

Greenland's Growing Importance

As an introduction to the ceremony, the secretary of state for Nordic affairs, Bernt Carlsson, said: "The establishment of this Swedish outpost in the westernmost part of the Nordic family circle is a recognition on the part of Sweden of Greenland's growing importance as a partner in Nordic cooperation. It is logical and correct to establish a Swedish representative in Greenland after the introduction of home government."

Bernt Carlsson spoke on the relations between Greenland and the North as well as efforts in the western North to join Greenland closer to the North in such areas as fishing, trade, transportation, and tourism.

"We are glad that Hans Pavia Egede has agreed to become the Swedish general consul in Nuuk. He will of course play an important role in trade connections between Greenland and Sweden. I congratulate General Consul Hans Pavia Egede upon his appointment and express the hope that he will represent Sweden in Greenland in a meritorious way and further connections between us."

Hans Pavia Egede expressed his thanks for the appointment: "It is a great honor for me to accept the title as Sweden's general consul in Greenland. I will do my best to serve Sweden and the country's interests here in Greenland. We and our personnel will serve to the best of our ability the areas that have been assigned to us, not the least of which is that of Swedish citizens who work in Marmorilik and with Gronlandsfly.

Great Progress in Export

Government Leader Jonathan Motzfeldt expressed his pleasure at the opening of direct communication between Sweden and Greenland. Connections between the two countries have been very close since old times, not the least as far as polar fishing is concerned. And today there is good cooperation between the management of raw materials and the Swedish company, Boliden.

Greenland's export of fish products is making rapid progress. In 1985 export to Sweden amounted to 85 million Danish kroner. In 1986 it rose to 140 million kroner.

"I am glad for the acceptance Greenland has received in the Nordic Council, when the country withdrew from EEC. In Stockholm Oluf Palme received us warmly. This is a pleasant memory for us. I believe he would have been happy for what happened today if he had lived," Motzfeldt said as he gave a cheer for the new consul, with whom he very much wants to cooperate.

Ombudsman Torben Hede Pedersen also gave his congratulations on the part of the Danish government to Hans Pavia Egede for his appointment and to Sweden for opening the general consulate in Nuuk. He said: "It is my hope that cooperation between the Nordic countries and Greenland will be expanded, just as I hope to achieve good cooperation with the new general consul."

9124

CSO: 3613/75

GREENS RECONSIDER TRADITIONAL PARTY ALLIANCES

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 23 Apr 87 p

[Article, datelined Bonn, 22 April, by ban: "The Greens Discover the CDU; Beckmann, Spokesman of the Party Executive, Sees 'Cultural' looseness to the CDU"]

[Text] The spokesman of the Greens executive board, Beckmann, who is leaving his office in early May, on Wednesday warned his party against tying itself to cooperation with the SPD. "It must become an integral part of our strategy not to exclude toleration and coalition talks with the CDU on all levels of policy. That is not possible with the present CDU. In the coming years we must purposefully work on creating the conditions within the CDU for such talks. What is required in this connection is a fundamental grappling with the basic values of Christianity and of liberalism in relation to the realpolitik of the CDU and the FDP." While executive board spokesmen Jutta Ditzfurth and Trampert increasingly want to find followers for the Greens in the "extraparlimentary movements," Beckmann criticized that thus far the policy of the Greens "was aimed only to a limited extent at recruiting Christian and involved persons and those with liberal motivation as voters for a Green perspective." He said in his party there is "profound reflection" concerning the strategy to be followed after the Hesse state parliamentary elections. Thus Beckmann alluded to the fact that the Greens did have a gain in votes but no Red-Green Land government was achieved.

Beckmann "generally" noticed a "settling on the SPD" among all wings of the Greens. "Realists," just like fundamentalists can see themselves confirmed by the Hesse result in his opinion: the "realists" in their opinion that a coalition is necessary, the fundamentalists in their view that a coalition strategy directed towards the SPD does not yet offer an assured prospect for a "Red-Green change of this society." But it can be that the SPD election defeats are an "historical process of demise" with the consequence that the SPD will continue to lose importance. The historical roots of the SPD, Beckmann said, lie in industrialization and the emergence of the industrial workers; but the "socially necessary work" is now shifting to other types of occupation.

Beckmann is not the only leading politician among the Greens who wants to direct the attention of his party to the voter potential of CDU and CSU. The small group of "economic libertarians" around Kretschmann has advocated such a strategy for a long time and considers the possibilities of collaboration with the CDU. Deputy Schily also demands that the Greens have to find voters for themselves from the liberal and Christian camp. In the Federal Executive Board, Beckmann's line is supported by board member Eva Quistorp and two other members, Wiesenthal and Kostede, favored some time ago "development of the dialogue with industrial workers, critical bourgeois strata, with farmers, and with the technical intelligentsia." For some time such considerations have found approval also among advocates of a "Heinrich Boell Foundation," which in addition to Beckmann and Schily, also include the two deputies, Mrs Nickels and Mrs Vollmer. Among the "realists" the dispute has not yet been resolved whether or not the Greens have to be a "leftist" party. Former Minister Fischer shares this view, Schily is of a different opinion and Beckmann said: "The Greens have a leftist tradition. Nevertheless we are no leftist party." The Greens are rather a "value conservative" party. A "socio-ecological orientation" cannot be related to a right-left pattern. It is the task of the Greens "to develop more clearly the outlines of an ecological humanism and to arouse a new discussion on fundamental values in this society.

Beckmann does not exclude consequences of his reflections for the program of the Greens. Many voters are scared off by the demand of the Greens to cancel Article 218 without substitution. CDU/CSU thus far has received the votes of voters who share the views of the Greens with respect to security policy, NATO, and peaceful use of nuclear energy, but do not vote for the Greens because of other programmatic statements. In an opinion poll in Mutlangen 60 percent of the interviewees opposed the stationing of the intermediate range missiles; but at the same time the CDU received 60 percent of the votes there during elections. "Culturally" the Greens are closer to the CDU/CSU than to the SPD since parts of the extraparliamentary movement which contributed to the success of the Greens had been part of the Christian oriented camp, e.g., the Third World groups. "A consistent critical turning to the 'C' of the CDU from a radical ecological aspect will necessarily entail a split of the CDU." But it will not be a simple matter for the Greens either "to cope with a supplementary range of the political strategy," Beckmann said.

12356

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SPD DECLINE ASSESSED IN HISTORICAL PERSPECTIVE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 23 Apr 87 p 1

[Article by Bernd Erich Heptner: "Long Farewell to Power"]

[Text] The Hesse Social Democrats say good-bye to power and this good-bye is connected with violent convulsions. After the election, there were tears of consternation in the SPD as high as the government. The SPD has governed in Hesse for more than 40 years; something like that promotes the idea of being a state party and thus not subject to being voted out of office.

Hesse was regarded by the Social Democrats, but not only by them, as a "red bastion," though sometimes imperiled but in final analysis not pregnable. This was a tale peddled for many years but that did not become any more correct as a result. Has Hesse ever been "red"? This comes closest to being true for the heydays of legendary Minister President Zinn, who governed and represented the Land between 1951 and 1969; Zinn was an integration figure rising above party politics, who was respected even by those who did not vote for the SPD. The slogan "Hesse in Front," which arose at that time, was absolutely justified and was not felt to be a slogan of a party.

At the end of the sixties the Hesse SPD in keeping with the spirit of the times, began to change, to become radical, to become academic. Moderation and center position were lost, readiness for conflict and ideology increased, the gulfs of the South Hesse and North Hesse SPD became deeper. With the loss of the center, the absolute SPD majority was lost in 1970 and was never again regained. From then on it was really no longer possible to speak of a "red" Hesse.

Theoretically a first CDU-FDP coalition could have been formed in 1970, but, as on the federal level, the FDP in Hesse at that time leaned towards the SPD. The FDP slowed many things down but it prevented little. The cultural war concerning the general guidelines for school instruction, the scandals surrounding the Hessische Landesbank caused the SPD to sink lower and lower in the esteem of the voters. The SPD, even

though only the second strongest party behind the CDU since 1974, remained in power only owing to the FDP.

After the resignation with little honor of Minister President Osswald in 1976, his successor Boerner succeeded only for a short time in getting the SPD out of the headlines and in having an integrating effect as far as party policy was concerned. Boerner fought for years for a moderate, pragmatic Land policy against the Hesse-South party district. Social Democrats faced Social Democrats with hostility. Sometimes Boerner only succeeded in forcing the party to follow his course by threats of resignation and package deals: for the expansion of the Frankfurt airport or for a moderate nuclear policy.

Thus the history of the Land policy of the past 15 years in its culmination represents a succession of fights of SPD party wings, of alliance disputes and scandals. Thus the Hesse Social Democrats had long proved themselves ripe for the opposition. As far as the image of the Hesse party is concerned, its farewell to power is a farewell in installments. The SPD has to thank the FDP in the first place for the fact that the change of government did not take place, secondly to Boerner's doubtful skill "to signal right and drive left" (Boerner), thirdly to the repeated election campaign strategy to stage the Land elections as federal elections. What was involved in 1978 was "saving Scheel" as federal president. In 1982 the Hesse voter was to see to it "that Schmidt remains chancellor," and in 1983 the Hesse SPD asked for a "lesson for Kohl."

Meanwhile it has become clear to many citizens how greatly overdue a change of government in Hesse was. The Social Democrats knew how to accustom people to a dubious political style. The Hesse Land policy for years was largely reduced to devoting attention to itself and--for the sake of maintaining power--to its respective partner. The Land administration, actually organized for objectivity and neutrality, was increasingly misused for party policy promotion of its own image, for party policy disputes.

The state chancellery, actually the Land's governmental center, was predominantly occupied with safeguarding party policy power. Pressure on media to obtain agreeable reporting was nothing unusual. The intellectual level of the government personnel was deplorable; the party leadership, it seemed, could hardly permit independent, critical minds.

For the same reason there was only little exchange of ideas with the intellectuals of the Land. Hesse's intellectual life, as far as it depends on government initiatives, was of a narrowminded-uprightness variety. While other federal Laender invested in culture, in museums, the Hesse Social Democrats covered the Land with uniform "multipurpose halls." The SPD regarded its dreary party congress debates, extending

over years, on nuclear energy and on the comprehensive school as the apex of discussion culture.

In other words, a change in Hesse was overdue. CDU and FDP are now in a simple and difficult position at the same time. The demands on the rulers in Wiesbaden have indeed become less and less in recent years, but at the same time many citizens link high, perhaps too high, expectation with the change. At any rate, the Wallmann cabinet is faced with a demanding task.

12356

CSO: 3620/212

SWEDISH NEWSPAPER VIEWS HOLKERI, CRITICISM OF KOIVISTO

Holkeri 'Pedantic Conservative'

Stockholm DAGENS NYHETER in Swedish 27 Apr 87 p 10

[Article by Helsinki correspondent Stefan Lundberg; first paragraph is DAGENS NYHETER introduction]

[Text] Harri Holkeri, who has now been chosen to form Finland's new government, was the man who led the Conservative Party in on the official foreign policy line--the so-called Paasikivi-Kekkonen line.

Finland's next prime minister, Harri Hermann Holkeri, 50, is one of those politicians who can always display a flawlessly tanned exterior. The part in his hair and the carefully knotted tie make as pedantic an impression as the almost bare desk in the Bank of Finland's director's office.

Holkeri arrives at press conferences and meetings exactly on time--always.

Holkeri gets his tan in Lapland where he covers quite a few miles on skis every year.

Since the 1982 presidential election when he came in second after Mauno Koivisto, Holkeri has remained in the background. He is in charge of personnel matters, among other things, at Finland's central bank. He has figured in the news columns primarily in connection with long-distance races, both on and off skis.

The son of a police constable in the little town of Roijala in western Finland, he threw himself into politics at a point when he had to face a choice between pursuing a political career or continuing an academic career. The choice had to be made quickly when the legendary leader of the Conservative Party, Juha Rihtniemi, died suddenly in 1971. That same year young Holkeri was elected as Conservative leader. He remained in that position until 1979 when he turned the chairmanship over to his successor, Ilkka Suominen.

Holkeri's biggest achievement in Finnish politics to date was leading his party in on the official foreign policy line--the so-called Paasikivi-Kekkonen line. The party's reorientation was finally consolidated when it

backed Kekkonen's re-election in 1978. But a year after that then speaker Johannes Virolainen cited "general reasons" (meaning unreliability on foreign policy) as the explanation why the Conservative Party could not participate in a Finnish government. He was repaid with a furious outburst of rage on Kekkonen's part.

No serious politician talks like that today now that the party is at last getting a government role and the prime minister's post after more than two decades in the opposition.

"I think I have done more for foreign policy than the others who were named here today," said Holkeri when he was selected last November as his party's presidential candidate in the 1988 election.

The others who were mentioned were Foreign Minister Paavo Vayrynen and President Koivisto.

Holkeri is going into the presidential election from an ideal position. No one has a chance against Koivisto but Holkeri can count on a respectable second place. That is important with respect to his chances in the 1994 presidential race when Koivisto is no longer expected to be in the running.

Koivisto Criticized for Role

Stockholm DAGENS NYHETER in Swedish 29 Apr 87 p 11

[Article by Stefan Lundberg: "Conservatives Overrun"]

[Text] Helsinki--Finland has never been as Social Democratic as it is today. This is true in spite of a resounding election defeat for the Social Democrats and the Conservative Party's entry into the government.

The Social Democrats, who talked loudly about becoming part of the opposition after losing over 100,000 votes in the election, now hold all the biggest national posts with the exception of the prime minister's position.

At the same time there is mounting criticism of President Koivisto who used his authority to nip a nonsocialist government alternative in the bud and made sure that the Social Democratic Party remained in the forefront. The press is accusing Koivisto of having violated his stated principles by acting for the benefit of the Social Democrats. The president led the proceedings from beginning to end but refused to explain his motives. "The people will understand," he said.

During the last couple of days government negotiators have watched open-mouthed as the Conservative Party time after time yielded to Social Democratic wishes and demands without raising any objections.

Central Demands

It is not without reason that Social Democratic leader Kalevi Sorsa beamed with pleasure when the leaders of the parties in the new four-party government concluded their negotiations yesterday morning.

"All our central demands were included," Sorsa was able to announce.

He added that the party also has every chance to carry out its demands as it will also hold the most central ministerial posts in the new government.

The Social Democrats relinquished the prime minister's post and the leadership of the Trade and Industrial Affairs Ministry to the Conservatives. Instead the Social Democrats now occupy the three most important positions next to that of prime minister: foreign minister (Kalevi Sorsa), finance minister (party secretary Erkki Liikanen) and internal affairs minister. The Social Democrats will also get their hands on the justice, environmental affairs, labor, 2nd social affairs and 2nd education ministerial portfolios.

In addition to the prime minister's post the Conservatives will occupy only one "heavy" post, that of trade and industrial affairs minister. Party chairman Ilkka Suominen will hold that position. The party's other posts are: social affairs minister, agriculture and forestry minister, 2nd finance minister and the newly-created position of chancellery minister.

The Swedish People's Party had to settle for the Education Ministry and the Defense Ministry. The latter has always been regarded as the "lightest" government post in Finland.

The Finnish Rural Party will be in charge of the Communications Ministry, which deals primarily with media policy.

Speaker's Post

In connection with the government negotiations the Social Democrats also managed to bargain their way to the post of Finnish parliamentary speaker. The Conservative Party tried "in the name of decency" to get the post for Paavo Vayrynen of the Center Party, who was forzen out and downgraded to the rank of one of the 200 members of parliament, but the party's efforts failed here as well. The Social Democratic negotiators were less mild and said frankly that the left had to have the speaker's post if the prime minister was a nonsocialist.

Thus the Social Democrats have the presidency, the deputy prime minister's post (the foreign minister) and the speaker's post in addition to a whole list of important government portfolios.

The Swedish People's Party negotiators in particular were said to have been astonished by the compliance of the Conservatives. The Swedish People's Party waged a lone battle for business interests when the government program

on dismissal protection and worker participation in management was nailed down.

The business sector had to watch helplessly while "its party," the Conservative Party, agreed to a process that--if it is implemented--will make it considerably more difficult for companies to lay off or fire personnel.

The weak efforts of the Conservatives in the negotiations have been explained by saying that they are unused to pursuing tough negotiations after 21 years in the opposition.

It is also felt that the prime minister's post and the mirage of participating in the government at all blinded the party that probably sat with all the trump cards in its hand when the government negotiations began.

6578

CSO: 3650/131

PAPER COMMENTS ON PROSPECTS FOR NEW HOLKERI GOVERNMENT

Stockholm DAGENS NYHETER in Swedish 30 Apr 87 p 2

[Editorial: "Finland's Partly New Line"]

[Text] Probably few people associated a historic Finnish change with Mauno Koivisto. People there expected the president to maintain a low profile in the government negotiations after the election in March. They underestimated him, for instead he pushed through an original right-left solution in full Kekkonen style. With the cabinet ministers who are expected to be announced today a new phase begins.

There is increasingly severe criticism of the president of the republic and not just from the Center Party, which has ended up outside a Finnish government coalition for the first time in living memory. Justified remarks have been made about Koivisto's flagrant deviation from his own statement that under normal conditions the president should refrain from active intervention in forming a cabinet and allow parliamentary forces to work freely instead.

Koivisto should not be criticized for selecting the people to form the government on his own; that is his constitutional role. He can claim to have followed a tried and true political tradition when he brought the right wing, the Conservative Party, and the Social Democrats together in the new "red-blue" (red-black) government led by Conservative Harri Holkeri. This safeguards the cooperation across bloc lines, necessitated by the requirement of a two-thirds majority on important legislative matters, which has characterized Finnish politics in contrast to recent Swedish developments.

But if the parties had been given the free rein that everyone expected, the result would probably have been a government based on cooperation between two election winners--the Conservatives and the Center Party--with the losers, the Social Democrats, refusing to participate in the expanded cooperation.

The new government is an even poorer reflection of the election outcome than we are used to in Finnish arrangements. By backing a coalition between two "concrete" parties the calculating president is also running a real risk of widening the gap between urban and rural districts into a regional partition.

Koivisto's solution is a matter of concern for all the big Finnish parties. The Conservative Party apparently held a trump card--it was in demand in various coalition models--but after 20 years in quarantine it ended up in the government only by abandoning its major demand that a nonsocialist alternative be given a chance to rule Finland. The party did not want to go against its own candidate in next year's presidential election, Holkeri, when he so willingly chose to help get rid of Paavo Vayrynen of the Center Party.

The Social Democrats are defying their sympathizers--and giving the communists some hope--by working with the "class enemy" itself. But Kalevi Sorsa and his party friends also had a hard time going against Koivisto, the man they intend to back as their candidate for another presidential term.

The Center Party has taken a drastic psychological nosedive since Vayrynen believed he had the ball in his court after making election gains on the theme of the need to "end the Social Democratic hegemony." Vayrynen has lost the platform--the position as prime minister--that he was counting on as his party's presidential candidate. There has already been speculation that a potential nonsocialist cooperation could demand the removal of the controversial Vayrynen from the foreground even if he is not subjected to open criticism in his own party.

With the Center Party standing ignominiously in the corner, Finland's increasingly strong nonsocialist majority has been unable to make an impact at the government level. If the ill-treated Rural Party is regarded as a "non-Marxist left-wing party" the ministers are evenly divided; if the Conservatives can count on the former dissent group as being really nonsocialist it, along with the usually included Swedish People's Party, would provide a slight nonsocialist advantage.

With such ill-assorted participants the government program does not reveal any deep shared viewpoints, no matter how much it focuses on tax reform, improved employment and continued growth. The feeling that Finland is facing a drastic change in terms of party politics is moderated by uncertainty: will the new alternative last beyond the presidential election at the beginning of next year?

The melancholy impression remains that it was important for Mauno Koivisto to get rid of his rival, Vayrynen, an effort that was made easier by the widespread dislike of Vayrynen's ambition.

The Finns can best decide for themselves what is good for Finland. The Conservative Party provides a certain healthy power rotation. It is still hard to get around the fact that the coalition that has been put together is a strange one and hard to explain in view of the initial position.

6578

CSO: 3650/131

NEW GOVERNMENT PROGRAM OUTLINED

PM061043 [Editorial Report] Helsinki HUFVUDSTADSBLADET in Swedish 29 April 1987 carries on pages 6 and 7 a 2,400-word FINSKA NOTISBYRAN report outlining the contents of the program agreed by the parties which will form the new Finnish Government. Economic policy will apparently aim at keeping inflation down and promoting employment. The government will adopt other measures to improve the employment situation in Finland and also introduce reforms in working life, including increased worker participation in company management. The government will introduce new legislation in agriculture and in the area of social affairs will improve housing and increase child benefit payments. Improvements in the health services available to Swedish speakers in Finland are also reportedly promised, together with measures to facilitate the broadcast of Swedish-language programs from Sweden for the linguistic minority. The government also promises to put forward a reform of the procedure used to elect Finland's president. In the field of foreign policy the program also states that the new government will continue to follow the Paasikivi-Kekkonen line. "Within the framework of friendship and cooperation with the Soviet Union attempts will above all be made to bring about balance in trade at a high level of exchange and to find new forms of economic cooperation." The government will reportedly also "continue the work to strengthen the Nordic area's non-nuclear status and the security and mutual trust in the area. Efforts will also be made to promote international detente and disarmament."

/12232

CSO: 3650/127

BRIEFS

PAPANDREOU FAMILY MEMBERS—Together with Nikos, Kastris [prime minister's residence] is getting ready to give publicity to Andreas as well—it is indispensable that one of the prime minister's three sons should be propelled to the front lines!... Meanwhile, Nikos went to the Navy War College as advisor to the deputy minister of defense, Thodoros Stathis. We did not say anything, but participated in many meetings, and you will be hearing his name mentioned as professor of political economy at the college's Public Administration School. [Text] [Athens PONDIKI in Greek 24 Apr 87 p 4] /12232

CSO: 3521/119

FORMER SOCIALIST PARTY SECRETARY GENERAL GAMA ON POLITICAL SITUATION

Lisbon EXPRESSO in Portuguese 17 Jan 87, pp 23R-25R

[Interview with Jaime Gama by Mario Joao Avillez; time and date not given]

[Text] Those who may have waited for Jaime Gama, after 8 months of a discreet distance or sensible silence, to "begin killing" now by means of a resounding criticism or a merciless attention to the socialist family, his own always, can now stop deluding themselves.

"I am not a guerrilla," he says, as if it were necessary to remind us that he is above all a quiet, formal man, the owner of a somewhat obscure personality, of institutional speech, who because of that is against bombastic gestures spectacular actions or subversive statements.

On the contrary, I found myself once more before that intelligent, cold, deliberate politician who is bent on giving of himself, the picture of a gentleman and fair play, who does not dispute or question the results of the last PS [Socialist Party] Congress, and who will do everything to help rebuild the Socialist edifice.

And when I tell him that his words, so prudent and almost lacking in criticism--it can be only be seen between the lines--can be misconstrued as the shadow of a resignation or as the specter of repentance for having entered into the competition for leadership a year ago, he looks at me aghast:

"Energy used at the wrong time can be antienergy that destroys itself. Throughout our talk, I always told him exactly what I thought. Moreover, I always said that I would never do to Constancio what the former secretariat did in the times of Mario Soares..."

"I Did not Change an Iota"

EXPRESSO: What have you been doing with yourself?

Jaime Gama: Since the last PS Congress? Well, I have been engaged in the creation of conditions of internal stability of my party so that no obstacle in operation will clash with the expectations generated by the last Congress.

EXPRESSO: Can that reply at the beginning of the interview not be taken immediately as something perverse? Or...is that said seriously?

Jaime Gama: It is a reply... In that respect I have been busy seeing to it that there is a joint majority/minority list for the Political Commission and a balanced participation in the shadow government, the Office of Studies and the Parliamentary Group. As a democrat I had to accept the results of the Congress, and having an institutional view of political life, no one expects the position of a guerrilla from me...

EXPRESSO: Why do you place things in those terms? Or better said, in those extremes?

Jaime Gama: ...Other than that I did not change an iota in my ideas and I even think that time has been showing how right some of my proposals have been.

EXPRESSO: But what effect does it have on you being, despite everything, a relative distance away from party or political decisions and from leadership responsibilities?

Jaime Gama: It is not an unusual situation in my political career. The fact that I have no executive responsibilities in the PS gives me more freedoms for thinking and acting, specifically for performing parliamentary functions and for preparing the debate on some political subjects (he laughs). And for the longest time, I also had the chance to take a complete vacation!

The Wheat Has Already Been Separated from the Chaff

EXPRESSO: You spoke about debates and their preparation. Where? In Parliament?

Jaime Gama: Yes, in the areas of interest to which I restrict myself and because of the responsibilities I have as chairman of the Defense Commission. There will be debates also in the PS--leadership bodies and shadow government--and in the country by means of some initiatives that will soon become a reality (pause). Listen: It would be absolutely unthinkable that, having obtained 20 percent of the delegates and 25 percent of the mandates of the Congress, I would act up to now without taking that into consideration. It is possible that others, in and out of the PS, want a different conduct from me for reasons of their own.

EXPRESSO: Everything is as it should be, very formal very legal. Be that as it may, the echo of that debate in which you say you are engaged, reaches us somewhat diffused...and we do not hear anything about you, neither as a guerrilla nor, on the other hand, as the orchestrator of some debate...

Jaime Gama: Very good! The 13 years of democracy have already allowed the clear separation of the wheat from the chaff. Which means that those who intervene with harmony, firmness and responsibility are separated from those who diminish themselves by spectacular actions in the front pages, in social events in worldly newspapers, or in articles that are so multifaceted they could be stylish as jewels...

EXPRESSO: Let us call things by their names. To whom do you refer?

Jaime Gama: Ah! The names are always the most respectable; things are those to which I referred...

EXPRESSO: What conclusions have you reached as to the last 8 months of life of your party?

Jaime Gama: (Laughs) We are going to begin with the positive aspects: 1986 was a year of settling down for the new leadership. The Congress, because of the way it was prepared and the way it took place, was an optimum launching platform because a clear majority prevailed over any mistaken continuity. Later, no internal upheaval affected the operation of the party and even on two occasions the secretary general corrected some rhetoric used in the campaign for the Congress: In smoothing over some roughness in the program and in the relationship with the PRD [Democratic Renewal Party]. It is also true, as was shown in the message of the PS to the Convention of the Democratic Left, that there is still a timid programmatic position toward the demands of a modern left...However there was a positive retreat with respect to less fortunate positions.

EXPRESSO: You spoke of the PRD. Do you not think that it was more the PRD that caused the PS to react than the latter to...

Jaime Gama: Yes, yes. It was more the political aggression of the PRD with respect to the PS that caused my party to take a position. But the truth is that the position has come to be taken by the secretary general.

The Good and the Bad

EXPRESSO: Your replies at times give me the impression of having been first coordinated with Vitor Constancio! Could you change the record?

Jaime Gama: No (ironic smile), they were not. But...It could even be so. Well,...I think the present public message of the PS could show a more alternative and less reactive opposition; it is obvious that is what I think, particularly assuming the Government/Opposition polarity with respect to the main subjects of the national debate and not with respect to casuistic defense of minor interests.

EXPRESSO: Which means?

Jaime Gama: The point has been reached where we see how a union organization, the UGT, in principle the defender of sectorial interests, is capable of presenting a proposal for the modernization and development of the Portuguese economy that is broader and more coherent than has happened with circumstantial positions of the PS on some economic and social problems. Another of the situations I believe could have been prevented is the result of some inaccuracies in the formulation of institutional political proposals.

EXPRESSO: For example?

Jaime Gama: I refer to the lack of strictness and the speed between the revival of the idea of bipolarization, the merits of minority governments and the apology of an agreement on a system without constitutional content. It was natural that the new leaders of the PS also sought, with more flexibility, to benefit from the popularity of the actions of the president of the republic without obviously limiting the national content of their mandate...That strategic link is, however, inexistent.

EXPRESSO: What about the level of international operations? That is, within the PS itself?

Jaime Gama: It could be said that the secretary general, advised on drafting political strategy by Nuno Brederode dos Santos, and the coordinator of the organization and new chief of the team, Antonio Guterres, are fully involved there. The president of the PS and the National Secretariat are carrying out an activity that is not very visible and with respect to the other national bodies, there has not yet been a substantive change in operational rules. Surprisingly, the movement of public opinion gives a slight reinforcement to the position of the PS in percentage, accompanied in the Congress by a decline in the image of its leader.

EXPRESSO: Therefore?

Jaime Gama: Therefore, a certain credibility gap must be repaired or overcome between the PS and the country, remove all the consequences of softening toward the PRD phenomenon and the discomfort that some recent changes have brought to the international communist movement. To imagine that a mere reorientation of the PS toward militant factions is capable of giving a greater electoral support to the PS is to relegate to the PSD a space in the center and restrict the strategic field for the spread of democratic socialism.

EXPRESSO: Where...?

Jaime Gama: Where the PS needs to focus is on the logic of the principal subjects and major public opinion on the small ideological "gadgets" and the militant gatherings.

Secrets and Advice to the Prince?

EXPRESSO: Those who supported you for Congress accused you days ago of having abandoned them in a certain way and of having reduced your position to adviser to the prince... It is natural that you criticize the leadership of the PS, it being known that the supporters of Constancio also do it. However, is it not excessive to move from criticism to advice? Unusual? After all, it is, or was, a matter of two adversaries...

Jaime Gama: My relations with the leadership and secretary general are correct. And they take place exclusively through the bodies and structures generally known.

EXPRESSO: Then there are no secrets or advice...announced by your supporters!

Jaime Gama: Which ones? I do not attribute the slightest importance to anonymous sources, although I admit, as is natural, that it is natural that some of my supporters for the 1986 Congress would like to induce me to adopt a less serene position.

EXPRESSO: I am then speaking with someone who feels well? Who is on a serene path; is that so?

Jaime Gama: I feel well in the defense of my positions, although I am not unaware that the political forces competing with the PS, always desirous of maintaining an emulation with the Socialists, would be willing to adopt any type of action that could have divisionist effects with respect to my party... It is in playing that role that I do not feel well...That means I refuse it!

EXPRESSO: And you exchange it for a semiactive, semipassive collaboration ...

Jaime Gama: I believe that I should not refuse my constructive opinion to the shadow cabinet and statutory bodies.

EXPRESSO: So be it! In other words, then, what is it that afflicts the PS?

Jaime Gama: At times I feel or become aware that there is a tendency to resort to certain common places, to a certain outdated rhetoric and because of that, no longer valid. I have nothing to do with it and it deserves my disapproval. Moreover, it is a reactive and emotional logic. It is necessary to move forward and take up other subjects.

EXPRESSO: You have already said more than once that there is a need to discuss the great subjects and to carry out a real debate about them, but you did not list them.

Subjects for a Necessary Debate

Jaime Gama: I tell you now: Reform of the political system, particularly the operations of the government and the Assembly of the Republic; the large bodies of the state; the electoral system and regionalization; reform of the economic system so as to face European integration; the decisive importance of the modernization of society that will include scientific and technical research and the educational structure. The rest is secondary.

Government "Versus" Opposition

EXPRESSO: Do you think the government has put all that to one side?

Jaime Gama: The government, after a first phase of political vitality, when it noted that an absolute majority was not within its reach in the elections, adapted itself to a passive management of current affairs and it relegated profound reforms to second place. It is therefore time for the opposition to establish itself clearly on alternative concepts to this broad collection of problems and questions and to present them to public opinion.

EXPRESSO: The opposition? Which one? The opposition is divided and only manages to unite to veto laws from the Executive... Or do you believe possible a common work in the opposition between the PS and the PCP [Portuguese Communist Party] or the PS and PRD?

Jaime Gama: No. It is obvious that an obstructionist solidarity of the oppositions is negative. It would even be tragic if my party were to become involved in it...The vitality of the PS would result from the fact of simultaneously being an alternative to government and also to the political plans contained in certain oppositions. The PS has to make its distinctive nature very clear. It must particularly demonstrate that it is focusing on general interests and not minority interests.

EXPRESSO: I seem to detect in your words the idea of a trajectory by steps. Does this mean that the PS will be faced with a journey that in its first phase will lead it to obtain a decisive victory over the left, which would give it to the leadership of that social and political bloc and, in a second phase, to achieve victory over the PSD or even over an alliance of the center right. Is that right?

Jaime Gama: I perceive what you want to say but I think the opposite: The two phases are a joint process. After all, it is by being the best opposition to the government that the PS will be the best left, and it is by being the best left, that the Socialists will be the best opposition to the government. Some even believe that it is by insulting the government that they legitimize themselves as the left, or by then diluting the PS in an indefinable of the lefts that they accredit themselves as an alternative.

"Emerge from the Shell"...

EXPRESSO: Because you have been telling me so and, particularly because you mentioned a while ago that it would be necessary for the PS to "take a step forward," I ask you now: "What should the Socialist Party be now in 1987?"

Jaime Gama: More a protagonist of the debate of the great national topics. Yes, yes, I know that more than once I referred to the need for debates, but I did it because I believed that it is important! However, the PS should also be more in tune with the transformations of the European left and reflect on the parties that rise and the parties that decline and the reason for it...It should be more realistic in economic matters and more aware of that which was the focus of concern of the young generations. I believe that without falling into an unnatural rhetoric, the PS should, with the greatest intensity, take up national problems, the defense of a new position for the country in the international context and for a more vigorous movement toward European integration.

EXPRESSO: Can those failures, of if you wish, those aspects that you pointed out, be attributed in part at least to the shadow cabinet and its operation? As a member of that cabinet what have you to say about it? What is the result of the various meetings already held?

Jaime Gama: I believe that the PS, with the exception of the Convention of the Democratic Left, which apparently exhausted the short term objectives and which produced an effect of recycling with respect to those disappointed by "Pintasilguismo," is waiting for some opportunity to emerge from its shell. It is important and decisive that it do so.

EXPRESSO: Which opportunities, for example?

Jaime Gama: Running the risk of repeating myself, I return to the subjects: The opportunity of encouraging debates on those sectorial topics I listed before...(laughs). There is an excellent opportunity for emerging from the shell...

EXPRESSO: You did not answer me on the effectiveness and results of the meetings of the shadow government...

Jaime Gama: The shadow government is a useful instrument that should be energized...

EXPRESSO: ...It is not?

Jaime Gama: ...I proposed recently that prolonged thinking sessions be held and that each communique from this cabinet should arouse an open discussion on its specific contents in the country. Moreover, I believe that it will come to pass. I said that the idea in itself is one that creates responsibility. Obviously (smile) on the importance that is attributed to the shadow government will depend the possible results of its action...

"and Win Elections Once More"

EXPRESSO: Now another subject which is still a question that affects the shadow government: Do you think that the time has already come for the PS to be able to emerge as a credible alternative and to create the emergence of a new political situation in the country. In other words, is the PS ready?

Jaime Gama: It is wrong to say that the PS oscillates between being the party that threatens the initiation of a crisis and the party systematically feared as the alternative...However, I think that this year of 1987 marks a good phase for the reaffirmation of the PS in Portuguese political life.

EXPRESSO: That is nothing! It is much less an answer. It is enough for the PS to rise a half dozen points and there is talk in its ranks of reaffirmation!

Jaime Gama: Obviously. However, the essential objective must be that of reshaping the PS into the largest Portuguese party and once more win elections and make up the government.

EXPRESSO: Something that will not happen in the next elections regardless of when they are held, or are you so optimistic that you believe that?

Jaime Gama: What is of interest to me is that it is the essential objective; to make it a reality, the entire PS must be united. I will go further: For that purpose, I even say to you that the present leadership of the PS has my complete support.

EXPRESSO: That is the reason then for your sensible, serene and well thought out position...however there is the inevitable question: Are you or are you not--regardless of the time--an alternative to Vitor Constancio? You were some months ago. Are you still one?

Jaime Gama: For the time being, no. The PS Congress was very clear and its results must be respected...Possibly the next Congress will not take place with the same divisions...and I do not feel that I am playing the mediocre role of a secretary general in exile because I did not win 1986. Let the PS catch its breath...It needs to do that very much after what happened on 6 October 1985.

Roosters in the Same Coop

EXPRESSO: Are you an alternative with respect to Antonio Barreto? Are you two roosters in the same coop?

Jaime Gama: One of the merits of the present situation in my party resides in the emergence of new personalities and new points of political polarization. The last Congress did not exhaust the potentials of the PS and that is why nothing is to be excluded with respect to the future.

EXPRESSO: But what do you think about Antonio Barreto?

Jaime Gama: I think that his return to the PS was highly positive. His contribution in the shadow government and in the Parliamentary Group has been highly stimulating and he is undeniably an outstanding personality in the new generation.

EXPRESSO: And Joao Soares? He was one of your supporters and some time ago, in a surprising interview, he suggested an alliance with the communists. How did you consider that interview and, particularly, that suggestion?

Jaime Gama: We have been friends since University days...I believe that the election of the president of the republic finally turned him toward politics. His involvement in the FAUL has been the driving force behind his initiatives and public positions; even though controversial, they are interesting and arouse great curiosity!

"PRD? A Terrible Contradiction"

EXPRESSO: I would like for you now to speak more profoundly about the PRD, something you have just mentioned in passing...

Jaime Gama: The PRD! Well...they are living in a terrible contradictory dilemma: The dynamic of the party eroded the political capital of Eanes and the way in which Eanes returned to politics eroded the support of the party! Many people in the PS believed that it would be enough to change the Socialist leadership and the PRD would be pulverized...or that relations between the two parties were going to be better. Reality, however, has shown the opposite. And it is not to be excluded that the PRD, for reasons of facing up to the successive results of polls, will come to take the initiative of a political crisis. I also say that the democratic left and the PS itself should continue to carry out a calm debate on the nature and plans of the PRD. It was also the PRD, which with its criticism, concluded by stimulating the self-defense of the PS...

EXPRESSO: We have not yet spoken about the Convention of the Democratic Left...What is the opinion that you have of it, taking into consideration, for example, that the Liberal Left, with which it is said you are close and with which it is known you sympathize, having been in some way looked at askance?

Jaime Gama: The Convention of the Democratic Left, irrevocably opened the space for dialogue by the PS and it was the opportunity for many to give formality to a certain doctrinaire evolution. I hope that in the future more specific subjects of national life will be taken up and that creative research will be employed in performing their homework.

EXPRESSO: And what about the Liberal Left Club?

Jaime Gama: They have maintained an extremely important debate of subjects in Portuguese life. That role is so important that it has the merit, contradictorily, of converting the Liberal Left into the official bogeyman of the political language of some bureaucracies.

EXPRESSO: What are you going to do with your life? What are your plans?

Jaime Gama: I am going to continue being involved with the electoral recovery of the PS. However, since I do not have a sectarian spirit, I will try to make my party look at the country with honesty and not with obsession...

EXPRESSO: Why did you grant me this interview? Was it only as a sign that you are present, although primarily preoccupied and occupied with the stability and electoral recovery of the PS?

Jaime Gama: Primarily so that I personally could make a summing up. You have also just finished convincing me that I have no arguments for not continuing...

8908

CSO: 8142/3697

MONTHLY POLL INDICATES VOTING INTENTIONS OF PUBLIC

Lisbon EXPRESSO in Portuguese 11 Apr 87 p 6

[Text] APU Loses Votes to PRD

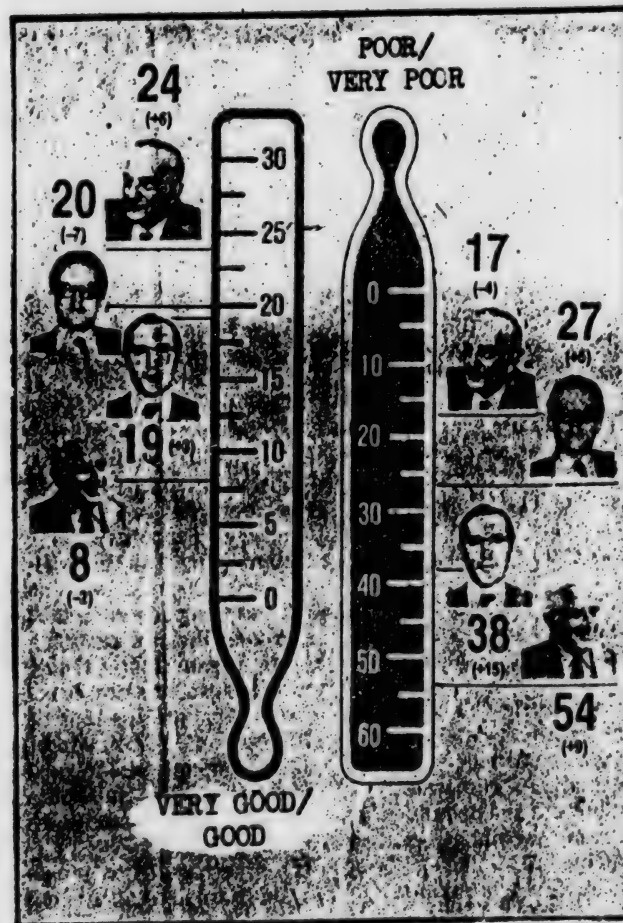
The interview with the EXPRESSO/Euroexpanso panel for the month of April, of which we revealed a summary of the principal elements last week--along with the survey that indicated that 56 percent of the Portuguese prefer early elections--was held on 30 March and 1 April at a time when the decline of the government had already been decided because of the approval of the motion of censure presented by the PRD [Democratic Renewal Party].

The picture of the intention to vote--in addition to showing a new rise of the PSD to 45.5 percent (which is due in part to an early reaction of the voters to the crisis provoked by other parties) and a reduced percentage for the APU [United Peoples Alliance], 6.2 percent (which should be considered as underestimated as has already been said previously)--appears with few variations in its essential aspects. This means a clear prominence of the PSD, with the PS [Socialist Party] and the PRD remaining close to 30 percent and 12 percent respectively, and a tendency of the APU and the CDS [Social Democratic Center Party] to see the number of their voters reduced.

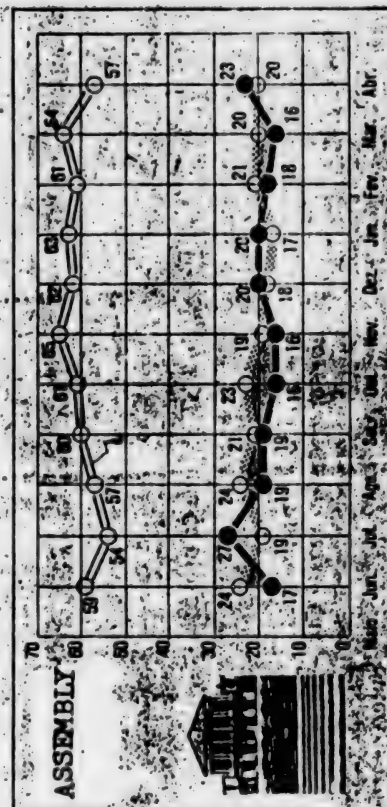
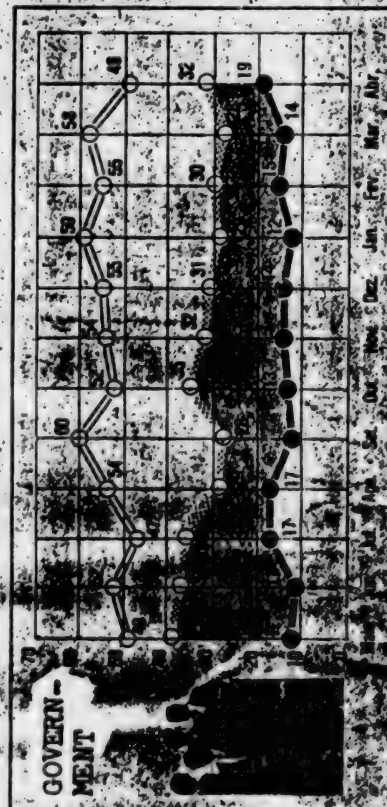
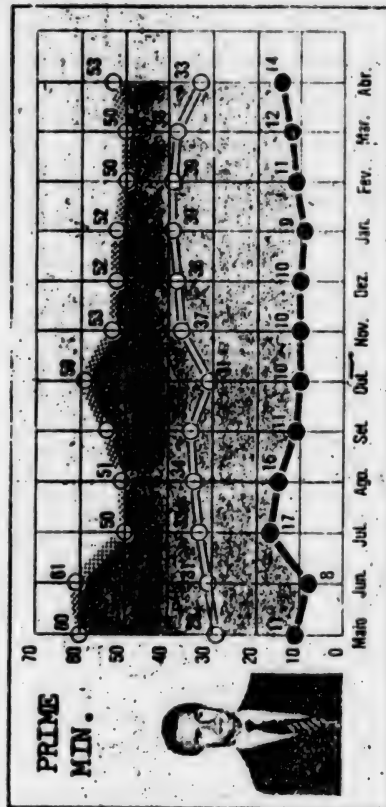
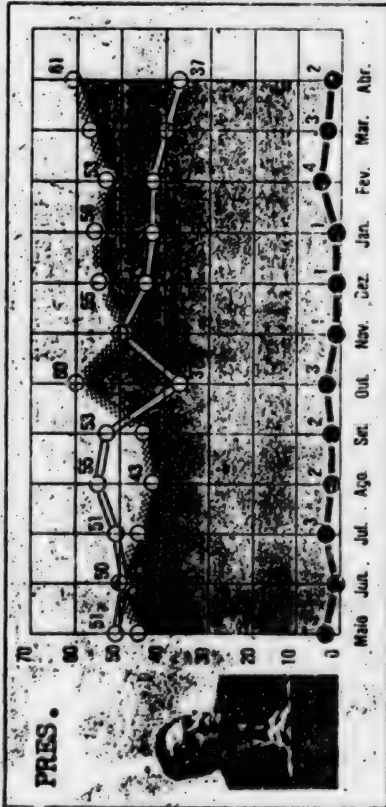
Prominent only is the fact that the PSD benefits from significant transfers of former voters for the PS, PRD and CDS--and that the new decline of the APU is based on the movement of some of its voters to the PRD, which in turn has lost voters to the PS when it took the initiative of presenting a motion of censure.

Only Adriano Moreira Does Not Decline

Only Adriano Moreira was saved from the abrupt decline in popularity suffered by all the leaders of the opposition after the political crisis. All of them now show negative balances (greater number of unfavorable opinions than favorable opinions) with the exception of the CDS president Alvaro Cunhal, who loses two points in positive opinions and declines nine points in negative opinions, a change that was due primarily to the decline in popularity among the voters of the APU, perhaps because of the diminished role that he has maintained since the beginning of the crisis and in the downfall of the Executive Branch of Cavaco Silva.



Only Adriano Moreira does not lose.



VP/P

SO/SO

POSITIVE BALANCE

It is emphasized, however, that the voters of the APU contributed significantly to preventing an increased deterioration of the images of Vitor Constancio and Ramalho Eanes. The secretary general of the PS only registered an improvement of popularity in the APU, losing support in all the other areas, including his own. The leader of the renovators simultaneously sees positive opinions in the APU rise from 28 percent to 55 percent in the period of one month, at the same time that he holds steady in his party, there is a considerable decline in all the others. His image is considered "very poor" or "poor" by 70 percent of the PSD voters, 36 percent of the PS voters and 25 percent of the CDS voters. Adriano Moreira, on the other hand, benefitted essentially from the improvement of opinions about him in the PSD and CDS.

President: What To Do With This Credit?

Even though absent on a trip to Brazil last week when this poll was taken, the president of the republic managed to reach the highest level of his popularity--61 percent--since he began his term. Mario Soares will therefore make the most important political decision since he has been in Belem with the safeguard of an enormous credit of popularity. It shall be, therefore, interesting to note next month, when the president has already pointed out the road he has chosen for overcoming the present political situation, to what point and in which party areas his popularity will be most affected. The rise of four points that he has now obtained, resulted primarily because of the voters of the PS and the APU.

The prime minister, more involved than the president in the beginnings of the political crisis, noted a better definition in the positive and negative aspects: The Centrist and Social Democratic voters caused him to rise three points among those whom his image to be "Very Good" or "Good," and the voters of the PS, almost by themselves, caused unfavorable opinions on Cavaco Silva to rise two points.

The popularity of the government also registered a similar tendency, leading to extremes in opinions, with the oddity of the Executive Branch of Cavaco Silva having obtained the highest number of negative opinions (19 percent) and having risen to the level of positive opinions he occupied 5 months ago (32 percent) at the exact moment in which his collapse in the Assembly of the Republic was foreseen. The image of the government improved among the voters of the PSD and CDS, and it worsened among those of the PRD and PS as a natural result of the unleashed crisis.

The Parliament emerges as the body of sovereignty most affected by political events, once more showing a negative balance among those who considered its activities as "Good" or "Poor." Strangely, the seven points that the Assembly loses in its credit of popularity, are the result of increased negative opinions of the voters of all the parties, including the PS, PRD and APU.

8908

CSO: 3542/83

COMMUNIST PARTY SEEN WINNING ON ALL FRONTS IN CRISIS

Lisbon SEMANARIO in Portuguese 11 Apr 87 p 6

[Article by Marcelo Rebelo de Sousa: "The Crisis--The PCP Won a Week Ago"]

[Text] It is not necessary to be a reader of Agatha Christie to know that the best road, although perhaps not necessarily the shortest or more simple road, for discovering the criminal, consists of asking who it is that benefits from the crime at the moment and under the exact circumstances in which it was committed.

In other words, and going into the political plane, to discover the exclusive, or at least the principal, beneficiary of a certain initiative, action, campaign or initiative, it is important to find out who it is that will help the most, which means which party force or forces can extract the greatest benefit from it.

Seeking to answer this same question with respect to the political crisis unleashed by the parliamentary voting on the motion of censure of the government, the trail that leads to the genuine, real beneficiary at the instant that the crisis took place is obvious--it was only of interest to the PCP.

It certainly was not the PS, which followed a "strange" timing, did not lead in any initiative, does not put together any credible alternative of government, has neither the conditions for winning nor the means for promoting its secretary general, nor can it present a complete, capable, mobilizing team destined to compete in elections and, above all, to govern Portugal.

The PS [Socialist Party] came trailing behind poorly, confused, and even if it rises 7, 8 or 9 percent in preliminary elections, it still appears to be an insufficient left, squeezed into a corner, without its own discernment or a specific heartfelt conviction.

The crisis could not have interested the PRD [Democratic Renewal Party] either. Elections are a painful and irrelevant test for a party with a leader who is no longer the president of the republic and has not yet assumed (that is if it ever will) the dimension of a party. To bet on the crisis without guarding against the electoral hypothesis, or to compete in elections only to decline, even if it is only 2, 3 or 5 percent, is to react in desperation but without any significant, tangible or lasting advantage.

The crisis obviously was not agreeable to the CDS [Social Democratic Center Party] and that is why good sense dictated that it vote against the motion of censure.

It remains to be asked whether the PSD wanted the crisis when it took place, since it appeared obvious that the president of the republic did not seek it, neither now nor in such a rush, in the first half of his probable first term in Belem.

We think that not even the PSD itself wanted the crisis so soon. Believing that the economic situation would remain, strong in the calm of Belem, the government sought to last, gaining time, postponing the electoral confrontation, extending its network of influence, and making the merits of its rule increasingly clearer.

However, if Belem wins nothing from this crisis as, in passing, the PS, PRD, CDS and PSD won nothing, there is still the PCP to consider. What could, or can, the PCP win with the crisis?

Much, even very much, in the short and medium terms.

It squeezed the PS when it grew and wanted to dictate the rules of the game for the Portuguese left. Instead of establishing the rules, the PS bowed to those imposed by others.

It uses the PRD, even with possible costs for it, giving justification to its description as MDP/CDE number two, which we applied to it at the moment in which it was announced.

It demonstrates that there are several parties in the left, but that only one has a tactical leadership and a strategic goal.

It pushes the CD, on the other hand, against the wall sooner than it thought.

It forces the PSD to make thankless choices, such as that of continuing by itself, perhaps not in a minority, and located farther to the right (since it grows at the expense of the CDS), breaking the original line of strategy of Dr Cavaco Silva.

It forces the president of the republic to make an undesired intervention at an unfavorable time and circumstances.

In addition to all this, it introduces an interruption in the PSD Government for at least 6 months; that is how many will have gone by between the vote of censure and the existence of the new Executive already passed in Parliament, in case nothing unusual affects the electoral impetus of the Social Democrats in the meanwhile.

In the short term the PCP wins on all fronts.

It also wins in the medium term--it reinforces its influence in the left; it swindles the PRD (leaving it alone, as it is to its advantage that it be left, and removing that mistaken talent, the leader, Antonio Ramalho Eanes); it plants the seeds of discord in the PS (which will result in fruit in 3 or 4 years; the PS was preparing to deplete the PCP); it seeks to turn the right into a frog that grows on air and in the air; and which loses 6 months of golden time for its governmental affirmation. It delays constitutional review and makes it more and more difficult, particularly with respect to economic organization.

This, so that we will no longer believe in an international political perspective expressed by some, according to which the PCP would now be interested in a political crisis in Portugal to weaken the position of the United States, which in the case of worsening relations with neighboring Spain over military bases, would consider reinforcing its presence in our country.

This, so that we will no longer relate this crisis with any possible attempt by the PCP to acquire strategic and sensitive national defense information.

This, so that we will not inject the crisis into a "puzzle" in which there would be a coming communist offensives against the weak point of the conversion of Portugal in the very recent past into a rotating platform for the sale of U.S. weapons or in the interests of U.S. official or unofficial tactics.

The PCP wins on all fronts, whatever the outcome of the crisis. Even in the case we support, that elections would provide a majority victory for a new ideological area, it would win less there than in other scenarios. However, even so, it divides and corrodes the democratic left, wins time at a time that would benefit its adversaries, it destabilizes the institutions, erodes Belem, and in Belem there is a Socialist who no one doubts is an important piece among the U.S. allies in Southern Europe.

All this has been done with skill, wisdom and mastery, and, obviously manipulating other's desperation. But which desperation, exasperation and anguish is not manipulable?

In prehistory, many months ago, it was the MDP/CDE that feigned being peeved at the PCP and courted the PS.

In the history we have just undergone, the "fait divers" called Estonia and the subsequent pretext it provided, comes first.

Second, the PRD at the service of the MDP/CDE, wonderful.

Third, the PS to be enfolded in a wave of anxiety, pressure and the whirlpool of the myth of power, with the MDP/CDE number one commenting and the great defenders of the PCP in 25 November 1975 congregating the divided left.

Fourth, the country will not have the time to perceive and particularly, understand the real political direction of events.

If the winds continue to blow well, the government will not remain in power and an alternative of the left will be born, duly conditioned with one or two key men of trust. If there are no elections, or the elections do not provide a parliamentary majority, the country will remain ungovernable to the right and left. The hypothesis, talked about so much now, of a PS government with MDP/CDE's, of all the "transvestite" figures, independents, and with CDS's also transformed into nonpartisan entities (worse than the failed PS-CDS government of 1978), in addition to being an unthinkable political insanity, according to an intelligent man such as Doctor Adriano Moreira, would be a great victory for the PCP, manipulating the Socialists without committing itself either with public support or parliamentary votes.

If the winds blow with less vigor, the dividends will have to be smaller, but they will always be appreciable.

That is how the PCP had caused a political crisis without ever appearing linked to its origins.

On the other hand, with the refinement of Doctor Alvaro Cunhal, it allows itself to speak little and demand almost nothing.

The PCP has never demanded so little from the rest of the Portuguese left. It does not have to. Since a week ago, it is winning on all the boards.

8908

CSO: 3542/83

PARTY OF THE LEFT WITHOUT PSD/PSP SUPPORT ADVOCATED

Lisbon DIARIO DE NOTICIAS in Portuguese 9 Apr 87 p 7

[Article by J. Medeiros Ferreira: "New Political Goals"]

[Text] It is paradoxical that in Spain where there was no violent break between the dictatorship and democracy, a party of the left dominates the political scene, while in Portugal, where the dictatorship was deposed by the force of arms, it is the right that is about to become a majority.

What mistakes did the Portuguese make in general? How could the democratic left correct them?

In the first place, the organization of political power was accomplished in an all-out conflict among the forces of the left, due to the joint adventurist actions of a "Bolshevikized" PCP and radicalized military men, with some minor provocation in the middle. The right, which even self-proclaimed itself Socialist at that time, concluded by pulling the chestnuts out of the fire because of the impotence of the forces of progress.

Actually, the PS [Socialist Party], the party that founded political democracy in Portugal, did not manage to maintain the hegemonic tendency crafted with the results of the elections for the Constituent Assembly and even for the first legislature of the Assembly of the Republic. The results of the local government elections in December 1976 indicated that the PS could not govern Portugal by itself, and the subsequent alliances to the right were all negatives for the democratic left. The right, even the modern, does not want to share power. It has a cultural difficulty in accepting pluralism and believes that Portugal belongs to it alone.

Now, the appearance of the PRD [Democratic Renewal Party]--well understood everywhere--allows putting an end to the cycle of subordination to the right and creates conditions for a coherent alternative of the center-right in Portugal with a prospect of reform. Providing that the PRD and the PS have the objective of attaining an electoral majority made up of the sum of both of them and not that of considering themselves mutually in a system of adjoined glasses, where what rises in one lowers the content of the other. This viewpoint of the two parties as adversaries, resulting from the recent origins of the PRD, does not take into due account another hypothesis referring to the legislative elections of October 1985: That the decline of

the PS at that time was fatal and that if the PRD did not exist, the PSD and the PCP, and more the former than the latter, would be the ones to gain the votes of the former Socialists.

This means that the PRD acquired the votes of the electorate of the democratic left, not allowing them to be lost for the future of reform of Portugal. Acquisition of the votes of the democratic left was, therefore, a great service that the PRD gave to all those who are within this area.

Neither the decline of the PS nor the depletion of the PRD allow alternatives in Portugal that are independent of the PSD or the PCP. A PRD lording it over the PS is as negative for a stable alternative of the democratic left as an agreement between a dynamic PSD and a hesitant PS is illusory for this left.

The PRD and the PS should become aware that the victory of one over the other will always be irrelevant for the creation of an alternative to the PSD, in case an electoral majority does not emerge from the sum of the two parties. It is not by manipulation of the electoral law that it is attained, nor by the creation of a constructive motion of censure, which could have perverse effects unsuspected today.

In this perspective, it is well to point out the positions, always correct, assumed by the PRD on political bipolarization in Portugal. The PRD was also created against bipolarization.

The theory of bipolarization only favors the right in parliamentary terms: It was that way in France and it is still that way in Italy, the titanic efforts of Bettin Craxi having failed. Pluralism in Portugal is not defended by bipolarization, rather it requires a multiparty system that will adopt flexibly to the resolution of various types of political crises; political crises of various types that are not in anyone's power to prevent, or prevent them from repeating themselves. Cybernetics are not applied to political actions of democratic societies.

A PS-PRD government should only be created in case it has the objective as a political system to prevent the creation of two blocs that will clash in a situation of two adversaries and in case it has been preceded by a modus vivendi between the two parties aimed at acquiring support outside their respective areas.

That PS-PRD "Tordesilhas" is aimed at fighting for a joint majority in the next elections that will emancipate the two parties from the support of either the PSD or the PCP. That borderline work should be a preliminary formation of government but has nothing to do with governmental activity in itself. This means that the PS and the PRD should agree that the main electoral effort to be developed in the future should be made outside their respective borders so that they may be able to govern jointly without electoral interferences. Otherwise, the promoters of crises and intrigues would have a lush pasture in coming months.

Would such refined and impeccable emotional behavior be possible between the two parties so historically marked? Honestly, I would not know how to answer. But it would be an important step for judging the electoral tyranny and give to elections their role as choices between programs of action and between men capable of carrying them out. Essentially, that is what the Portuguese expect from us.

The possible creation of a PS-PRD government should be based on those presuppositions. Otherwise we would be faced with the attainment of very sinister historical consequences for all those who oppose the hegemony of the reactionary forces. If that were to happen, even Professor Cavaco Silva would conclude by being optional in his party.

8908

CSO: 3542/83

BRIEFS

WORKERS USSR-BOUND--Workers of the Civil Construction and Housing Cooperatives are being recruited for a 6-month period of labor in an area located at a 50 to 100 km distance of Kiev. The Chernobyl nuclear plant is also located in this area. Last Monday 27 April a group of 27 workers of a housing cooperative in Carnaxide [Lisbon district] was at the Soviet Embassy for a medical examination, and another group belonging to a Damaia [Lisbon district] cooperative is already preparing to depart. The documentation needed to enter the Soviet Union is processed by the embassy itself in a 15-day period. The Portuguese workers will earn 120,000 escudos a month, payable in Portugal and will have all expenses paid in the Soviet Union. Observers believe that this recruitment of workers in Portugal may mean that some Soviet workers are refusing to work in areas adjacent to Chernobyl which may still be contaminated following the nuclear accident 1 year ago. [Text] [Lisbon SEMANARIO in Portuguese 1 May 87 p 64] /6091

CSO: 3542/94

CARLSSON GOVERNMENT SUFFERING ONE SETBACK AFTER ANOTHER

Stockholm DAGENS NYHETER in Swedish 2 May 87 p 7

[Commentary by Sven Svensson: "Party Congress Carlsson's Big Test"]

[Text] After a promising start the Carlsson government has suffered one loss of prestige after another this spring. The official report on the Palme murder was not a complete success. The complicated Bofors arms affair created the impression that the government was either naive or intentionally looking the other way and in addition there have been a number of annoying setbacks in Riksdag.

Without flinching the Carlsson government proposed a real estate tax increase starting in 1988 that the nonsocialist parties oppose and the communists are having a hard time swallowing.

The arms affair may be more than the average person can grasp but the government proposal to increase housing costs could very well be the drop that eventually causes the voters' cup of patience to run over.

It is best to take voter surveys that show a shift to the right in public opinion with a pinch of salt. But one thing is certain: the days when the Social Democrats could solve problems with an endless flow of new tax increases are over.

Therefore the government will have a tough time in May when it must try to guide its tax increase proposal toward a Riksdag resolution.

The threat of a new election is not very effective. In the first place none of the opposition parties seriously dreads a new election and in the second place a new election would only irritate the voters. The people have already had plenty of everything possible and impossible this spring in the way of political trouble and turbulence.

A new election in the heat of midsummer would be the definitive deathblow to Ingvar Carlsson's philosophy of cooperation. A new election would totally destroy the trust he has accumulated since the Palme murder.

A new loss of Social Democratic prestige, this time over the real estate tax proposal, should lead first of all to examining other government combinations.

The problem is that the Swedish constitution is constructed in such a way that it does not permit an unbiased examination of the government question according to parliamentary principles.

The prime minister has been given the right to decide to call a new election without consulting anyone, at least in a one-party government, and the speaker, who appoints people to form a government, makes no independent examination of the government question but simply executes the wishes of the parties.

It is important for the functioning of the parliamentary system to clarify whether it is possible to form a popular front government consisting of the Social Democrats and the communists or whether the Social Democratic Party is prepared, as it was in Finland, to participate in a majority government headed by a nonsocialist prime minister.

In spite of several setbacks the Social Democrats still have a high rating in the polls. Actually the public opinion situation is probably hanging in the balance after an incredibly difficult and chaotic political spring.

Ingvar Carlsson has acted somewhat magisterially as prime minister but he enjoys great confidence among a broad group of people.

But how much of this depends on the circumstances surrounding his rise to power and how much on his own actions as head of the government?

That question has not been answered.

His method of giving cabinet ministers a lot of leeway and then stepping in and correcting them afterward has not been a total success. It has created an impression of indecision. What is certain is that in spite of all the cocky May Day speeches the Social Democrats will have a very tough party congress this fall.

It is true that the nonsocialist opposition is divided but the Social Democrats are at least equally divided when it comes to guiding wage negotiations, arms exports, the phasing out of nuclear power and the expansion of child care programs--not to mention tax policy in the 1990's.

The party congress will be the Carlsson government's test of manhood.

6578

CSO: 3650/132

PAPER URGES PARTIES AVOID GIVING VPK POWER IN ECONOMIC POLICY

Stockholm DAGENS NYHETER in Swedish 30 Apr 87 p 2

[Editorial: "Don't Give VPK Power"]

[Text] Social Democratic newspapers are squirming like eels in their commentaries on the government's ideas about state wage setting. This is easy to understand. The antagonism between the minister of finance and wages on the one hand and the public sector unions on the other is a politically sensitive matter for the Social Democrats.

A more immediate problem for Feldt, however, is getting his finance proposals through Riksdag in May. The government had evidently counted on the ability of the Left-Communist Party [VPK] to swallow increased real estate taxes without getting heartburn. But that party is sensitive to anything that makes food and housing more expensive. A party leadership that is fighting for its survival has less room for compromise on matters that involve its own basic positions.

The climate between the Social Democrats and VPK in Riksdag has also deteriorated since VPK abandoned the pact the Social Democrats thought they had concluded with regard to cuts in state payments to municipalities.

What is at stake now is 2.7 billion kronor in increased real estate taxes plus around 1 billion kronor in decreased municipal payments. If both items are defeated it will be enough to justify a government resignation and the calling of a new election, something that has already been recommended by AFTONBLADET (Social Democratic).

Past experience indicates that a situation like the current one can lead to shifts that are politically understandable but objectively undesirable. The anxiety is increased when one reads advice from even normally sensible Social Democratic voices like the Ostgoten and Ostra Smaland newspapers urging the government to pull in company profits one way or another.

This is precisely the kind of populist action that has been taken year after year without any effect on wage developments. It has been clearly shown in a number of studies that it is a good situation on the labor market, not good

profits, that fluctuates with high wage drift. Nor can one use the argument that profits must be confiscated so that companies will be forced to invest, for industries are now increasing their investments and using their profits to do so.

Both the Social Democrats and the nonsocialists should think carefully about what they do in Riksdag in May. Don't give VPK the power to force through harmful economic decisions!

6578

CSO: 3650/131

PAPER COMMENTS ON BOOK DESCRIBING SDP VOTER TRENDS

Stockholm DAGENS NYHETER in Swedish 28 Apr 87 p 2

[Editorial: "Activists' Blind Spots"]

[Text] "There's something wrong here," said party secretary Bo Toresson when he was shown the conclusion of election researchers that many Social Democratic voters lie "to the right of the party" on central issues in Swedish politics: the market economy, public monopolies, taxes.

Where does Bo Toresson get his own picture of public opinion from? From the party's most active members. "When we made tax changes in the 1982-85 election period we had some severe internal leftist criticism," he said. "And our consultations mainly reflect a leftist debate." The same is true of the motions submitted to the party congress this fall, which the SDP executive committee will start discussing this week.

This creates a systematic course deviation. The activists, those who are consulted and represented at party congresses, differ sharply in their opinions not only from the Swedish public as a whole but from their own party voters as well. They overestimate the role of politics. And they are clothed in an ideological armor that often deflects or retards common-sense insights that do not agree with their own beliefs.

As Jorgen Westerstahl and Folke Johansson note in their book, "Picture of Sweden": "Probably because all these people communicate mainly within their own circle they get the impression that society as a whole shares the same opinions."

This was written primarily with reference to a number of studies showing that activists pursue a family policy line that is far removed from the views of ordinary Swedish citizens. A new study of this kind conducted by the Institute for Market Research [IMU] was published in DAGENS NYHETER a week or two ago. The undersecretary responsible for this particular area, Bengt Lindqvist, could say only that the result was "wrong." The Federation of Trade Unions [LO] newspaper made the same comment in a recent editorial.

Now it happens to be true, as shown within the framework of municipal research, that a very large number of these LO families who have children in

daycare facilities are dissatisfied with present conditions and would like more alternatives with the help of financial grants that they could have at their own disposal. Soren Holmberg's election study from 1985 confirms that there is strong response among Social Democratic voters to the idea of introducing some form of parental allowance.

This does not mean that public opinion overwhelmingly opposes more daycare facilities.

Nor does it mean that parties should act just as the majority of their voters want them to. Political leaders have a right to shape public opinion instead of simply following its dictates.

But wise party leaders keep an eye on what things are like out there. And they will ask themselves if they shouldn't listen to what families have to say before they enact measures that are intended to improve the everyday lives of families with children. These people want municipal daycare as one alternative, but not the only one. They want to break up the monopoly that almost always leads to narrow regimented thinking so that alternatives can be offered that cannot survive unless they work hard to win approval. They want families to be able to spend a larger part of family allowances on the alternatives they choose themselves.

And here Bo Toresson seems prepared to act on the basis of this reality instead of denying it. He has noted doubts about the present single model "far within our ranks." "I feel we should come closer to freedom of choice in the area of child care by expanding parental insurance. And we should have a very frank discussion about alternative forms of care."

It remains to be seen how much frankness will remain after all the guardians of the movement's orthodoxy have had their say.

Now the Social Democrats are not the only ones who are led astray by their own activists. Over the weekend the leader of the Conservative Party used Soren Holmberg as ammunition in his attack on the Social Democrats, claiming that "they are losing support among ordinary people."

However he did not mention that Holmberg also showed that the Conservatives were out of step with voter opinion when it came to positions on social commitments. The clear-sighted words of warning uttered by Mats Svegfors in an article written before the 1985 election have fallen on deaf ears when it comes to SVENSKA DAGBLADET's editorial division too: "The Conservatives like to think that so-called unpopular decisions would be supported by their own voters. I think this is an error that is as great as it is dangerous. Many Conservatives, like the supporters of other parties, are middle-income workers with children in daycare and some elderly relative involved in a public care program."

The blind spots of party activists can be found on both the right and the left.

BRIEFS

POLL: SETBACK FOR SOCIALISTS--The Social Democrats and the Left-Communist Party [VPK] registered sharp declines and the Environment Party showed gains in a voter survey conducted by Semka which was published in DAGENS INDUSTRI. The survey showed that the Environment Party got many of its new supporters from the Social Democratic Party. About a third of those who now feel the Environment Party is the best one voted for the Social Democrats in the last election. The results, with the figures from the last poll in October 1986 in parentheses, are as follows: Conservatives 15.0 (16.1), Center-Christian Democrats 10.6 (12.2), Liberals 21.5 (17.5), Social Democrats 40.9 (46.1), VPK 3.7 (4.4), Environment Party 7.5 (2.7), others 0.9 (1.0).
[Text] [Stockholm DAGENS NYHETER in Swedish 2 May 87 p 6] 6578

CSO: 3650/132

ANNUAL POLL INDICATES DROP IN SUPPORT FOR NATO MEMBERSHIP

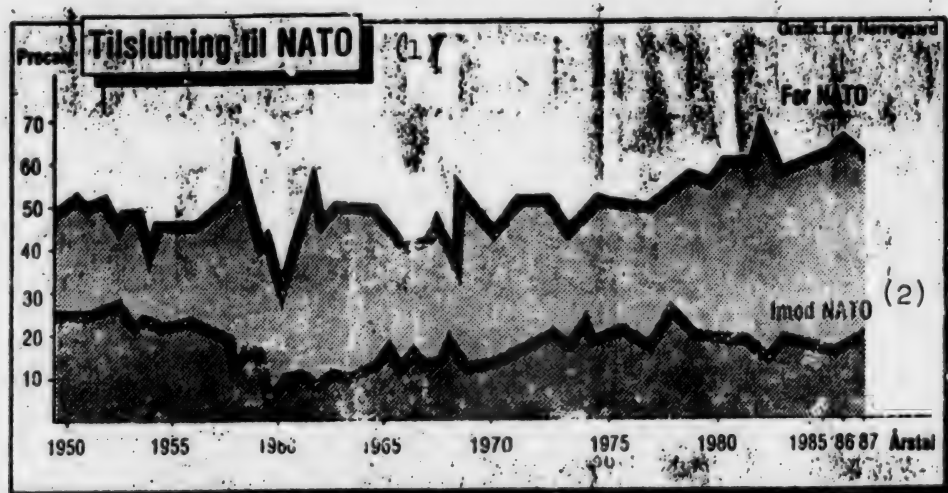
Copenhagen BERLINGSKE TIDENDE in Danish 18 Apr 87 p 3

[Article by Asger Schultz]

[Text] Perhaps as a result of Gorbachev's initiatives for the reduction of nuclear weapons, support for our membership in NATO is now declining. This is seen in the latest poll conducted by the Gallup Institute on this question. At regular intervals since 1949 the institute has shown voter attitude toward our NATO membership by asking a representative cross-section of about 1,000 persons the question: "Are you for or against Denmark's participation in the Atlantic Pact (NATO)?" The next to last poll was conducted in January 1986, and this poll has now been repeated in April 1987.

The poll showed that 59 percent now say they are for NATO, compared with 63 percent in January 1986, and while 20 percent now say they oppose NATO, 16 percent opposed it in January 1986.

In order to clarify the development, the number of supporters and opponents is shown in the figure below.



Key:

1. Support for NATO
2. Against NATO

The great majority of Danish voters continually state their support for NATO (59 percent against 20 percent), three times as many for as against, but now this line that remained unbroken for many years seems to be broken. Whether this is due to the present apparent thaw in the disarmament negotiations cannot be said. The institute intends to repeat the poll on the background of these negotiations as soon as the results of the present negotiations can be evaluated.

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9124

CSO: 3613/75

FORMER DEFENSE FORCES CHIEF BACKS 'ZERO INCREASE' BUDGET

Copenhagen BERLINGSKE TIDENDE in Danish 14 Apr 87 p 10

[Article by Nils Eric Boesgaard: "Colonel Says Zero-Solution Trustworthy"]

[Text] The former defense staff chief, Colonel G.K. Kristensen, is convinced that it is not necessary to grant more money to defense.

"I must declare myself in agreement with the Social Democrats that we can well maintain a trustworthy defense force without the budget increases the government wants," the commander of the 1st Zealand Brigade, Colonel G.K. Kristensen, said.

The colonel is the only one of the higher military commanders who has agreed to comment publicly on Defense Minister Hans Engell's (Conservative Party) plan for a new five-year defense agreement.

Defense Commander Admiral S.E. Thiede has refused to comment on the matter.

Colonel G.K. Kristensen was for a number of years the chief of the defense staff, but was rejected for the post of defense commander and has since been one of the harshest critics of the defense leadership.

"Great savings can be accomplished if the frigates are given up and if instead of buying new tanks abroad a renovation of the Centurion tank is undertaken in Zealand," Kristensen said.

"The government wants to use a total of three billion more during the five years. I believe that the present budget is sufficient without effectiveness being lost."

9124

CSO: 3613/75

BRIEFS

PARLIAMENT MEMBER URGES NEUTRALITY—Landsting member Uussarqaq Qujaukitsoq, Siumut, elected in the northernmost district of Avanersuaq, thinks that Greenland should not be a member of NATO, and is therefore directly opposed to government leader Jonathan Motzfeldt's policy. He said to RITZAU'S BUREAU that Greenland must be neutral. "We must not be allied to one side in a world divided into two. That is much too dangerous," he said. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 14 Apr 87 p 7] 9124

9124

CSO: 3613/75

MILITARY BIOTECH STRATEGY, R&D STRUCTURE EXAMINED

Biotech Defense

Paris BIOFUTUR in French Jan 87 pp 19-20

[Article by Marie-Francoise Chevallier: "Biotechnology and Defense"]

[Box, p 19. Introduction by Pierre Canonne]

[Excerpts] To maintain an adequate defense credibility, the military command must take an interest in every new scientific field and in every application which could potentially be used either offensively or defensively. It must do so both for its own use and to identify any possible use by a potential adversary. It was therefore logical for an expanding and promising field like biotechnology to be carefully considered from a military R&D point of view.

[Box 1, p 21]

The Actors in Scientific Defense

1. SGDN

The General Secretariat of National Defense [SGDN], under to the prime minister, directs the Scientific Action Committee for Defense. This committee is charged with proposing the best possible use of the country's scientific and technological resources for defense purposes. The scientific adviser is assisted by an Office of Scientific and Technological Affairs (BAST), which continuously monitors world developments in science and technology.

Together with other bodies, the SGDN is also involved in protection of the nation's scientific heritage and in threats posed by foreign research.

2. Civil and Economic Defense

In each ministry a senior defense official is responsible to the minister for implementation of defense--related measures. His authority extends to all the directorates in the ministry. The SGDN Coordinates the activities of these senior officials. In the Ministry of Agriculture, for example, the senior defense official is in charge of food supplies for the civilian population and the armed forces, agricultural production guidance in accordance with

defense requirements, resource protection, stockpile management.... In the Health Ministry, it is his duty to see to the sanitary and social protection of the population and, in all circumstances, to ensure the nation's supply of bandages, medicine and medical equipment....

Military R&D

Paris BIOFUTUR in French Jan 87 pp 20-27

In the Ministry of Defense, two bodies are in charge of biotechnology R&D: the Department of Research, Studies and Techniques (DRET) and the Armed Forces Health Service (SSA).

DRET is supported:

- through upstream research: by Group 9 of the Biological Research and Human Sciences Service. This comprises four divisions (Biology/Physiology, Chemistry/Pharmacology, Ergonomics, Psychosociology);

- through development: by the NBC [Nuclear, Biological, and Chemical] Defense Subdirectorate for the organization and management of programs, and by the Bouchet Study Center for the development of defense equipment. DRET has for some time urged small-and medium-sized businesses and industries to work on a contract basis for the development of certain projects. However, no biotechnology project has yet been established.

The Armed Forces Health Service comes under the chiefs of staff of the armed forces. It is responsible for the military health organization: hospitals, training schools, pharmacies, blood transfusion centers..., and also for certain biomedical research. This is conducted in the SSA centers at Clamart Lyon, Marseille..., sometimes in conjunction with the DRET.

Diagram 2: Research for Defense Against Chemical and Biological Weapons
(Organizations Involved)

DRET

Central Directorate
of the Armed Forces
Health Service

Subdirectorate
for Nuclear,
Biological,
and Chemical
Defense

Research Service

Biology and Human
Sciences Group

CAD (Defense
Analysis Center),
Central Technical Es-
tablishment for
Weapons

CRSSA (Armed
Forces Health
Service Research
Center)

CEB (Bouchet Study
Center), Central
Technical Estab-
lishment for
Weapons

University and
industry laboratories

[Excerpts] Eureka Project for a European P4 Laboratory

First and foremost comes the defense of the scientist and of the environment. While manipulating bacteria or pathogenic viruses, the scientist must make sure that self-contamination cannot occur: gloves, hood, mask, overalls, and possibly a life-support suit. He must also ensure environmental protection: a sealed laboratory with protection levels ranging from P1 to P4 aimed at sterilizing all that enters and leaves the laboratory: air (absolute filters), water, equipment, clothes. The best defense is in fact the handler's competence and training (as in another high-security field, nuclear energy...). A 1981 report of the Ministry of Industry, published by Documentation Francaise, summarizes 19 different aspects of safety in industrial applications of biotechnology.

There is only one small P4 laboratory in France at this time, intended for the diagnosis of hemorrhagic viral diseases. It is installed with Professor Sureau, at the Pasteur Institute. This seems insufficient, and proposals have been made to install a specialized chamber with conveyor bubbles in the Claude Bernard hospital, for use in high-security hospitalization.

As for industrial biotechnology, the Institute for Bovine Pathology and Rhone Merieux in Lyon have important P3-type installations for the production of vaccine against foot-and-mouth disease. A Eureka project has just been proposed by the Marcel Merieux Foundation, together with the French Institute for Foot-and-Mouth Disease and the Urban Community of Lyon, for the creation of a European center for biovigilance and bioprotection (MEDIFA) equipped with a P4-type high-security laboratory. This center would be devoted to isolating tropical viruses and producing useful vaccines for the EEC. The need for such a center is making itself felt. Health boundaries have been abolished for good by faster transportation and the influx of tourists and immigrants. Many countries are relaxing basic health precautions so as not to jeopardize their tourist activities and food exports, as evidenced by the recent malaria epidemic in Belgian airports. Portugal, Spain, and Greece are the countries most threatened by tropical viruses and least in a position to defend themselves. Countries such as Denmark and Sweden have stopped production of many animal vaccines and are subject to epizootics, the most devastating caused by tropical viruses.

Genetic recombinants with the "vaccine" will make it possible to extend the polyvalence of tropical virus vaccines aimed primarily at foot-and-mouth disease. Hence the need to locally manipulate viruses in a rigorously sealed P4-type laboratory.

It should not be forgotten that Europe has already been troubled by other pathologies, without being able to respond to them with its own resources: African plague, Rift Valley fever, Marburg virus....

The Lyon teams are highly experienced in manipulating the foot-and-mouth disease virus, and this asset is an incentive for establishing the center in

that area, in Dardilly. It is an old project that has been taken up again. Other sites were previously considered by public authorities: in Rhodes, 20 years ago, in an island near Marseille in 1982, and on the Luminy campus in Marseille in 1985.

Charles Merieux's proposal, dated 1 March 1986, envisages an additional role for the MEDIFA center beyond peacetime biomonitoring: the need for Europe to possess a "war plant for industrial production of defense resources." A situation similar to the 1974 cerebrospinal meningitis epidemic in Brazil could indeed arise in Europe with viruses such as those of hemorrhagic fevers, and the usefulness of such a center seems obvious.

Civil, Economic Defense

Paris BIOFUTUR in French Jan 87 pp 27-38

[Article by Marie-Francoise Chevallier: "France: Biotechnology and Military, Civil, and Economic Defense"]

[Excerpts] b) New ways of administering medication

For about 10 years, certain laboratories have been developing transdermal administration of medication. Research is already under way in military laboratories to study this mode of administration, in particular for carbamates (agents used at a rate of three tablets per day for 14 days to prevent organophosphate poisoning).

Moreover, it should be pointed out that such systems already exist. "Trasderm" patches are applied behind the ear to administer scopolamine against motion sickness and seasickness. Another example is the use of digoxin in cardiology. These processes are being developed by civilian laboratories such as the CEA [Atomic Energy Commission] Biology Department, which has a specialized pharmacology section.

The CRSSA [Army Health Service Research Center] is interested in a different model, which would use liposomes for administering medication. Ongoing research makes it possible to study the effectiveness of animal absorption of radioprotective molecules (cysteamine) encapsulated in liposomes.

c) Implementation of biosensors, makes it possible to detect any known or unknown chemical agent by combining technologies based on molecular pharmacology (combination of neurotransmitter receptors, ion channels, and enzymes, which can function on an inert support) and on physical chemistry: An optoelectronic-type model triggers an audio or visual alarm when a chemical agent attaches to one of these targets, thus giving the alert. Such biosensors have been studied in the United States for several years. The first alert devices detect organophosphorized molecules. In France, there are plans to extend this work. As a result, an inventory of potential biological targets will make it possible to develop specific biosensors. This research portends the opening of a new market in civilian areas such as biological targets will make it possible to develop specific biosensors.

This research portends the opening of a new market in civilian areas such as biological analysis. These devices are actually both alarm tools and molecule identifiers of unprecedented sensitivity.

[Box 5, p 28]

Organophosphorized Chemical Weapons: Research and Therapy

The study of these emergency chemoprophylaxes is conducted in the DRET Bouchet Study Center. In addition, numerous laboratories connected with DRET by contract take an interest in the various aspects of the intoxication, in particular at the level of the central nervous system:

- Acetylcholinesterase (peptidic synthesis, microdosage, localization...);
- New molecules for therapeutic use (anticholinergics, anticonvulsants, Achesterase reactivators);
- Central nervous system (convulsions, wakefulness, permeability of the hematoencephalic barrier to medication, cerebral amines, study of GABA [g-aminobutyric acid], agonists and antagonists);

Incapacitation (evaluation, psychopharmacology). DRET also takes an interest in the development of a C [chemical] weapon detection system.

Finally, it should be kept in mind that other molecules acting on the nervous system (psychotropics) have reportedly been selected as nonlethal but incapacitating weapons. They make an individual temporarily incapable of performing his task by acting on his mind. The substances in question are LSD 125, mescaline, various benzylates, BZ...medication is based on anticholinesterase products...i.e., molecules producing effects similar to those of organophosphorized C weapons. Paradoxically, the weapon and its antidote are equally toxic, and this limits research into emergency medication.

III Physiology and Medicine

This second facet of defense research activity comprises various areas: ergonomics, physiology of extreme environments (space, deep-sea diving), neurophysiology... (Footnote 3) (This research concerns the study of sleep, wakefulness, stress.... It also includes neuron grafting, which has recently undergone rapid development. Indeed, DRET-funded research by Dr Privat (INSERM [National Institute for Health and Medical Research], Montpellier) has just met with success.) Only certain aspects concern biotechnology, the principal ones being blood transfusion, protection of burn victims, prophylaxis against infectious diseases (bacteriology, virology, parasitology). However, more narrowly targeted work, such as that described in box 7, "Bacterial Resistance to Mercury," on both medical and ecotoxicological application of this phenomenon is funded by the Defense Ministry.

a) Blood Transfusion and Preservation

In France, the Armed Forces Health Service has its own blood transfusion network and provides blood storage for the armed forces. It also conducts research on blood preservation and on oxygen carriers at the Clamart CTSA (Armed Forces Blood Transfusion Center).

b) Artificial Skin and Care for Burn Victims

More than 500,000 civilian burn cases occur in France each year, including 20,000 requiring hospitalization and 5,000 requiring care in specialized treatment centers such as the Burn Treatment Center in Percy hospital at Clamart. With regard to the military, the evolution of conventional weaponry has shown a significant increase in the number of burn injuries during the latest conflicts (Yom Kippur, Falkland Islands, etc.).

DRET and SSA are accordingly attentive to progress in the field of in vitro skin cultures.

The skin is the first human organ to be reconstructed in vitro. This achievement raises great hope for the therapeutic, but also biological and pharmacological treatment of serious victims, as a result of understanding the epidermis-dermis relationship in normal and in damaged skin. As an article was devoted to this subject in Biofutur in June 1986, only the skin model developed by the CRSSA team (Y. Neveux, M. Gervaise) in cooperation with Professor Dubertret of the Henri Mondor hospital will be briefly presented here.

This work was carried out in three stages:

1. Developing a "replacement skin" in the laboratory;
2. Observing the evolution of this biological skin when used as a graft in experimental burn treatments;
3. Moving from the experimental stage to plans for its application in treating serious burn victims.

A protocol similar to that defined by E. Bell in 1983 was used to obtain this replacement skin. The first step involved producing a dermis. This dermis is made of a solution of collagen and fibroblastic cells cultured from small skin fragments.

Once the dermis is produced, its surface must be cultured with epidermal cells obtained from very small cutaneous biopsies. These cells multiply and form a continuous multilayered carpet constituting an epidermis.

This replacement skin (dermis and epidermis) is then used to cover burned areas after excision.

Experimental results on small surfaces are encouraging: Successful graft takes have been observed in 75 percent of all cases, without retraction from the wound. In the long term, the graft becomes indistinguishable from the normal adjoining skin.

The CRSSA hopes to be able to consider using this type of laboratory-produced skin in the near future in treating third-degree burns in man.

In view of the rapidity of results obtained by the various French teams, why not consider creating a well-equipped specialized laboratory to implement these results on a larger scale? Could skin culture not become a semi-industrial activity?

c) Prophylaxis and Treatment of Infectious Diseases

DRET and the Armed Forces Health Service are particularly on the alert for advances in bacteriology, virology, parasitology...which could be used to protect troops both in France and stationed abroad.

Analysis of the pathogenic power of bacteria is one focus of research being conducted by DRET in collaboration with civilian laboratories. Salmonella is thus being studied under Professor Le Minor at the Pasteur Institute's Enterobacteria Unit (INSERM Unit 199), which is the WHO International Reference Center for salmonella. DRET's goal is to improve protection of troops against these infectious agents. Indeed, salmonellae constitute an extremely numerous family of approximately 2,200 serotypes, one of which causes a potentially serious disease, typhoid fever. Several hundred typhoid cases are counted in France each year, particularly in the military. This disease is endemic in countries with underdeveloped sanitary systems, where our troops may be called. Antibiotic therapy remains effective in most cases, although some chloramphenicol-resistant strains have appeared. This is why the army systematically vaccinates its recruits. The present vaccine has a certain but limited effectiveness since it protects only 70 percent of those vaccinated. It has the disadvantage of causing general reactions (fever) as well as local ones at the point of injection. To improve this vaccine, molecular genetics research is being conducted at the Pasteur Institute: They hope to analyze the genetic and molecular processes of the bacterium's virulence, so as to understand, in particular, the mechanism it uses to cross the intestinal barrier. When the mechanism of the various steps in pathogenic power are known, it will be possible to consider preparing a vaccine from purified bacterial fractions capable of protecting against one of these stages. Admittedly, an attenuated live vaccine, the Germanier vaccine, has recently been developed. It is composed of bacteria that have lost their pathogenic power while retaining their immunogenic power, as a result of mutations causing a modification in their walls. The side effects of the conventional vaccine administered by injection are known to be due to the presence of an endotoxin attached to the bacterial wall. Use of the Germanier strain has made it possible to obtain a vaccine free from these effects. This is a live vaccine, preserved in lyophilized form. Administered orally, it causes no general reaction and has proven harmless. It has been successfully tested in Egypt and is currently the subject of a WHO campaign in South America intended to confirm its effectiveness and to study the most appropriate galenical form.

In short, no satisfactory typhoid vaccination is yet available for national defense (guaranteed effectiveness, immunity, ease of administration, good

storage life, independent [French] production capability). This fact motivates DRET's interest in French research in this field.

Still in virology, let us also mention the work of the Armed Forces Health Service's own specialized research center for tropical medicine (virology, microbiology, parasitology) in Marseille: the Pharo.

This center comprises several laboratories, one of which cooperates with the WHO for reference and research on the meningococcus. Another research team is working on flavoviruses--RNA viruses transmitted to humans mostly by arthropods, responsible for various neurological or blood pathologies, such as yellow fever and dengue. Dengue particularly worries the army. This virus is found in Southeast Asia, around the mediterranean basin, and in Africa. There is no vaccine at this time. The Pharo Center has begun to create a bank of monoclonal antibodies against families of flavovirus proteins. This would make it possible to improve the collection of strains, especially from Africa, and to possess a tool for diagnosis. This is very delicate work, for the flavovirus has many structural proteins, and the fact that they mature after transcription makes thier collection even more complex. The ultimate goal of this work is of course to develop a synthetic vaccine for the military as well as for civilians.

A final concern for the French defense, faced with threats of war or potential biological terrorism, is the development of methodologies and tools for rapid and dependable analysis of the pathogenicity of unknown microorganisms. This work, aimed at providing a rapid defense through vaccination, is being carried out in cooperation with civilian research laboratories.

[Excerpted Box 7, p 34]

[By D. Negre, D. Micard, Y. Cenatiempo, and H. Van Cuyck-Gandre (Laboratory for Molecular Biology, Claude Bernard University, Lyon 1, 43, Boulevard du 11 Novembre 1918--69622 Villeurbanne Cedex France): "Bacterial Resistance to Environmental Pollution by Metals: Medical and Ecotoxicological Application of Mercury"]

On a genetic level, analysis of plasmids that confer their resistant character on bacteria has made it possible to identify an entire group of structurally and functionally organized genes which constitute the mercury operon. These genes direct the synthesis of proteins necessary for the penetration of mercury derivatives into the cell, their chemical transformation, or for the fine regulation of the operon's activity. The mercury operon is so complex that not all of the mechanisms controlling its function are known yet. Such knowledge is however necessary to modify (stimulated or inhibit) resistance to mercury. With genetic engineering technology, another approach can be explored. Indeed, it appears feasible to overproduce the enzymes lyase and reductase for direct use in effluents or reactors. However, this will require additional solutions to certain technical problems related to the reactivity of these enzymes outside the bacterial cell. Such a project, as well as a search for molecules likely to inhibit resistance to mercury, is now being jointly conducted by CRSSA's Lyon Laboratory for Cellular Biology (MC R. Deloince)/Desgenettes Hospital (MG R. Fontanges) and the University of Lyon Laboratory for Molecular Biology (Professor A.J. Cozzone).

II. The Civilian Point of View

Mobilizing the live resources of a country, defense actions concern civil and economic sectors--a frequently unrecognized fact. Their prime imperative is to organize public life and the economy in peacetime, so as to guarantee in times of crisis the continuation of a certain number of resources (medical care, supplies, transportation...) for both civilians and the armed forces.

Civil Defense: Medication Studies

In the Health Ministry, for example, the senior defense official is currently reorganizing emergency units known as mobile first-aid stations, which consist of supplies of drugs and various equipment for use in providing emergency care in the event of a catastrophe or military conflict. With a view to replacing out-of-date stocks, a new list of pharmaceutical products was drawn up by a group of experts, together with the Directorate of Pharmacy and Medication. In cooperation with the National Pharmaceutical Union, each product was examined from two angles: its medical interest and the extent of the nation's selfsufficiency in its production. The source of active ingredients and of excipients, the locations of factories, etc. are listed. While certain pharmaceutical products are manufactured entirely in France (aspirin, phenergan, ercefuryl), there are many others whose production depends either partially (diarsed...) or wholly (insulin, theophylline...) on foreign sources. Could similar medications replace them? Could production in France be envisaged? Within what economic constraints? What technologies would have to be developed?

For these reasons, the Ministry of Health has requested that the Ministry of Agriculture conduct a study on the feasibility of cell cultures from medicinal plants such as belladonna, colchicum, digitalis, etc. Indeed, the countries producing colchicum and the conchicine extracted from it, for example, are Yugoslavia (90 percent) and Morocco (10 percent). Development of cell cultures of these plants in France would no doubt be of interest to defense, but a pharmaceutical firm would have to have an economic interest. Hence the significance of the prospect studies which have been initiated.

Similar studies will be conducted on vaccines. However, the presence of the Merieux Institute in France guarantees national autonomy in the event of a crisis. The M. Merieux Foundation already demonstrated its production capacity during the 1974 epidemic of cerebrospinal meningitis in Brazil, which was arrested within months as a result of the immediate vaccination of 100 million people. This experience demonstrated the strength of French industrial biotechnology: production of 100 million doses of vaccine in a few months. This does not prevent the establishment of permanent stocks. For example, 5 million units of lyophilized smallpox vaccine are stored under the direction of the Ministry of Health.

Among other civil defense problems is the training of doctors for catastrophes..., but also for war or NBC terrorism situations. Following the Chernobyl accident, the medical community was alerted to the need for improved information and training for health personnel. The ministry has for some time been organizing training courses on chemical dangers for SAMU and SMUR doctors.

The same could be done for bacteriological dangers. During a colloquium recently organized in Marseille by the Provence-Mediterranee delegation of the French Superior Civil Defense Board, presentations pointed out the modern city's vulnerability to epidemics and the need to implement structures for managing a bacteriological crisis.

Economic Defense: Quality Control for Products of Genetic Engineering

In parallel to these aspects of civil defense, the appropriate ministerial authorities are active in economic defense. In the Ministry of Health, this involves the National Health Laboratory. (Footnote 4) (It is composed of a number of specialized laboratories for quality control of drugs, vaccines, serums, blood derivatives, water, etc., and for security in laboratories of any kind.) This laboratory is the expert representative to the Directorate of Pharmacy and Medication on marketing authorizations (AMM), and it participates in negotiations on European drug-related legislation. It also acts at an interministerial level, in cooperation with national defense, on specialized commissions for protection against certain malicious acts. One of the questions raised today is the quality control of drugs produced by genetic engineering and of the raw materials used in their production (cells, plasmids...). French legislation is very exacting on this score, whereas American legislation is more concerned with verifying the quality of the manufacturing processes. This raises a problem of economic defense. Most genetically engineered pharmaceutical products come from the United States. For real quality control, the designated experts must know such things as the character of the plasmids, the recombination "formula"..., i.e., jealously guarded company secrets. Three cases involving interferons and a monoclonal antibody have recently been examined. These inspections seem indispensable, a concern shared by the Health Ministry and the Ministry of Agriculture in the Directorate of Quality. (Footnote 5) (The Directorate of Quality comprises the Central Inspectorate for National and Departmental Veterinary Service Laboratories as well as expert services: the veterinary service for animal health and protection, the veterinary service for food hygiene, and the service for plant protection.) Thus, a working group has been established in Maisons-Alfort to study means for quality control of biotechnologically produced vaccines (see box 8).

[Box 8, p 38]

Genetic Engineering, Health, and Civil Defense

The following document reflects the caution of veterinary medication inspection services, given the newness of the situation, at both the national and international levels.

Recommendations for preparation and quality control of certain biological products for veterinary use and comments on preparation and quality control of biotechnologically produced veterinary medication. (Footnote 1) (Text prepared by a working group from the National Veterinary Services Laboratories (Ministry of Agriculture), 22 Rue P. Curie, 94703 Maisons-Alfort, France, 10 June 1986. (G. Bennejean, J. Blancou, P. Boireau, J. Boisseau, G. Dannacher,

A. Giauffret, J.P. Guillou, J.L. Matel, C. Meurier, E. Plateau, P. Vannier, M. Remond, and J. Vassaire))

1. Possible recommendations of the National Veterinary Services Laboratories concern inspection of certain "conventional" but new generation biological products for which they already have inspection experience. These recommendations focus on:

a) The innocuousness of live-virus vaccines: the general principles are characterization of the vaccinal strain, tests for its residual pathogenicity, study of its diffusibility and genetic stability, and study of its behavior when used in the field.

b) Verification of the absence of foreign agents in the initial viral strains of live-virus vaccines.

c) Inspection of the continuous cell lines used as a substrate in the preparation of biological products.

2. Comments from these laboratories concern standardization and quality control of veterinary medications produced by biotechnology ("genetic engineering"). They focus on:

a) Duality control of biological products for veterinary applications, obtained using recombinant DNA technology: production methods, strategy for cloning and gene expression, information for quality control during production and methods for inspection of the finished product.

b) Duality control and tests of monoclonal antibodies for therapeutic use: production and characterization of the hybridoma strain, production of antibody, purification of this antibody, and inspection of the finished product (criterion of purity, absence of contamination).

Conclusion

Civil and economic defense raise many questions, only some of which have been mentioned above. Among defense strategies for potential use, if the nation's territory should be partially destroyed and agriculture ravaged, could France consider the establishment of facilities for growing proteins of unicellular organisms, as the USSR had already done in times of crisis? Could France ensure production of indispensable amino acids such as lysine to enrich feed for livestock if imports of traditional feeds such as soybeans were to cease? In the event of an economic blockade and stoppage of oil imports, do we consider producing substitute fuels from biomass? These are problems for the Ministry of Agriculture.

There is a lot of thinking going on, but no strategic plan exists as yet.... It is a complex process, because it requires the involvement of many participants from the industrial and public sectors. Everyday applications of these new technologies are moreover far removed from defense considerations. In case of shortage, could we perhaps see the appearance of biotechnological equivalents

gazogene machines, invented by private citizens? Dialogue between the various parties seems necessary for harmonious development of a free-market economy and defense.

[Box, p 38]

We sincerely thank those who have helped make this report possible: Dr Cassaigne (Ministry of Health), Chief Pharmacist Cannone (SGDN), Mr Valensi (DRET), Mr Saint-Blancard (CTSA), Mr Neveux (SSA), Dr Chippaux (LNS), Mr Broca (Ministry of Agriculture).

25046/12951

CSO: 3698/A119

ARMS INDUSTRIES LAMENT NEW EXPORT LAW

Milan IL GIORNALE in Italian 23 Feb 87 p 5

[Article by Renato Ranghieri: "Arms Industry Is Losing the War"; first paragraph is IL GIORNALE introduction]

[Text] Milan--Italian miracle in reverse in the sale of arms: In 6 years we have dropped from 4th place to 7th. Pacifist rhetoric and ill-conceived laws threaten to paralyze a sector that provides jobs to 80,000 persons. Between internal polemics and export crises, our national production is hard put to hold its own against the competition.

Almost 7,500 billion lire a year (over 9,000 billion if one includes primary induced activity): These are the annual revenues the Italian defense industry represents. Vast sums they are, in hard currencies and soft, that, true, enter the coffers of the industrialists, both private and public, but that also end up in the pockets of over 80,000 persons who work in the sector--a sector that instinctively is spoken of only in whispers, with careful circumspection, despite the fact that it is a pillar of no mean size within the general framework of the Italian economy, and especially its export sector: Over 4,000 billion lire, and over 4,500 billion lire in better years.

To speak of arms in a country that has recently become a standard-bearer of pacifism is to risk stirring up an outcry if pen and paper are not taken up to hurl anathemas and pronounce solemn judgements, however negative. But they are nonetheless an industry, a lawful industry, in which Italy ranks among a small group of world leaders (in fourth place not long ago, and perhaps sixth today) together with the United States and the USSR (who alone cover over half the market), France, Great Britain and Germany: the leading vendors of defensive and offensive systems, planes, ships and tanks--all of them countries that are unequivocally proud of their leading-edge technologies, of their priceless know-how. So much so, in fact, that they display their "jewels" regularly at international shows.

The historians tell us that, since the dawn of civilization, 15,000 wars have been fought (don't ask me on what basis they have arrived at this figure). But even in our present day, there is no lack of demand, and consumption is not in decline. Lebanon is a constantly exploding powder keg; the dead in the Iran-Iraq conflict are counted in the thousands daily; in Afghanistan,

Gorbachev's alleged good intentions notwithstanding, the mujahedin are balking at laying down their arms; the Falklands are just around the bend; between China and Vietnam the sparks fly periodically; Qadhdhafi storms about Chad; and so it goes. To say nothing of the plague of the '80s: Terrorism.

Reproofs and condemnations aside, the arms market powers vast interests. It is unquestionably profitable, considering that the worldwide expenditure in this sector has topped \$600 billion (with the dollar at a high rate of exchange), or almost 6 percent of the gross world product, and that everyone is to some extent involved in it, including pacifist nations like Switzerland and Sweden.

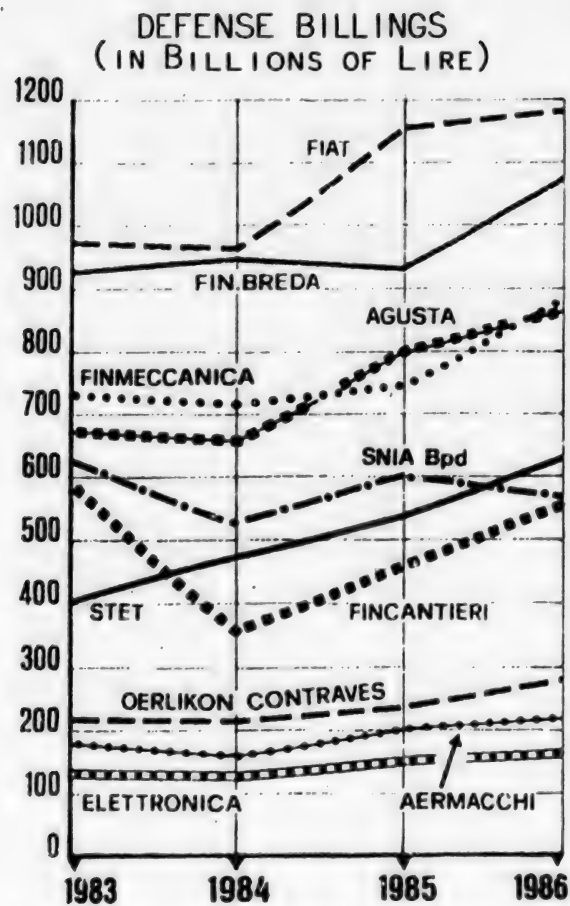
Our own national industrialists, after many halcyon years, are now going through a period of anxious waiting, in part because of a decree signed on 4 December of last year by the minister of foreign trade, Rino Formica, on "regulations relative to the issuing of export licenses and to arms traffic." The entire industrial system is at risk of being roadblocked, with consequences that those concerned term "disastrous," because of the constraints the regulations are placing on exports (which absorb 60 percent of our national production). The industry is managing to cope with the dynamic foreign competition by growing technologically and using this growth to improve the operative capabilities of the Italian Armed Forces, the primary beneficiaries of the national arms sector's efficiency.

The reasons for the slump are many: Excess productive capacity (domestic demand absorbs not more than 40 percent, versus figures frequently double this in other competing countries); the fractionalism of firms (the larger ones number around 700); 80 percent of Italian exports go to countries in economic crisis; added to these factors are the drop in the dollar and the tightening of the purse strings by the OPEC countries. To top things off there is the aggressive storming of the market by emerging powers like Brazil, Israel, Korea, South Africa, China, Taiwan, and Spain. Japan is temporarily marking time, but if and when it enters the arena it will spell trouble for everyone.

"The ministerial provisions governing exports are a stranglehold and come at a time when the defense sector is having to cope with more than just a few difficulties," says Filippo Fratalocchi, president of Elettronica S.p.A., a Rome-based industry that produces sophisticated equipment for electronic warfare. "I wonder: Do we want to have a defense industry or not? If the answer is yes, then we must export; otherwise, we must shut down."

Carlo Jean, a major general and one of the most astute and well-versed students of fundamental military problems of Armed Forces, says "With electronics, armies have been transformed from primitive instruments of warfare into highly complex and sophisticated systems."

Not everyone hews to this line of reasoning: Take, for example, the case of Major Falco Accame who, from his position as a representative of the DP,



This chart shows the annual defense billings, in billions of lire, of the 10 largest Italian arms-producing industrial groups.

thunders to the right and to the left. Accame has labeled our arms traffic a "source of corruption." He has stigmatized the large movement of military personnel from the service into the defense industry. He has rated our production as being of a medium-low level "still adequate for the Third World, but even that, not for very long." He has fired point-blank at some of our naval products, such as the "Sauro" submarine and certain minesweepers which "no sooner than launched must have their sonar changed." A cannon by Oto Melara, Beretta pistols, and "a few electronic systems" have only barely been spared. This, however, has not prevented the Sarzana-based Intermarin company from receiving a voluminous order from the U. S. Navy for minesweepers with fiberglass-reinforced-plastic hulls. The United States certainly does not buy pigs in a poke.

Be that as it may, a new sensational outburst has been generated by the Radical Party's denunciatory report, issued recently, on the 135 billion lire in kickbacks paid in 1982 in connection with the supplying of ships to Iraq, with additional intermediary mark-ups (so argues parliamentary member Ciccimessere) for payolas to several Italian political parties.

"The way these things work is perfectly well known. It is foregone knowledge from the very start that huge sums will have to be paid for intermediation. It is not a praxis to be looked down upon exclusively limited to our country. Every producer in the world is hit by it." So says the knight of the industry Pir Giuseppe Beretta, who carries his more than 80 springtimes resplendently.

The Oto Melara company, based in La Spezia, is following the situation with apprehension. In the view of its general manager, Piero Borachia, "Oto's situation is no different from that of the big enterprises that work in this sector. We are surviving thanks in large part to our production for foreign markets. The Government should bear in mind that no industry working for Defense operates clandestinely, outside the law, but only and exclusively within the law. Everything that is permitted by the law should be adequately supported by the law if we intend to cope with the competition and keep our defense industry alive."

"The Ministry of Foreign Trade's recent decree," they say at SNIA Bpt's Defense Division, "has introduced a number of provisions that are highly complex and, in part, very difficult to fulfill, so much so, that, presently, all Italian exports are at a standstill pending the forthcoming of a rapid and indispensable clarification."

So much for the official statements. I cite now those by a former arms merchant (probably the biggest in Italy) who has now gone into production and who has requested of me the most absolute anonymity.

One can only imagine how much money he may have made with his activity. "Idle talk. In oil, intermediation averages about 2 percent; in foods, this figure is somewhat multiplied; in arms, it ranges between 10 and 15 percent. Expenses are extremely high and the other party's demands are exorbitant."

I asked my interlocutor, who had had numerous dealings with the mythical Che Guevara, how he managed to sell his merchandise, how he managed to beat the competition.

"There is nothing of the romantic about it. Don't believe what you see in [the film] "Finche c'e guerra c'e speranza" [As Long As There's War There's Hope], even though Alberto Sordi, before directing that film, spent hours with me trying to pry into my secrets. I certainly did not travel around with my merchandise in a suitcase. The film is entirely buffoonery. Selling arms is delicate work, for which one must have a great deal of insight to outsmart the competition."

Next, our friend vented his annoyance with Formica. "How can one be expected to always know the final destination of the arms? How can one possibly certify, in the drawing up of a contract, who the [eventual] middleman will be, and what will be his cost? Are we kidding ourselves? In some countries payola is de rigueur and no one signs a receipt. No one wants to end up facing a firing squad."

Another national problem is that of the importing of arms. We rank third worldwide, with over 2,300 billion lire of imports a year. In our relations with the United States, for example, we sell them 350 billion lire of arms and import arms from them in the amount of 1,400 billion lire [annually].

This represents a burdensome imbalance that can only worsen if the penetrating power abroad of Italian firms begins to wane. This fact is documented by none other than the IRDISP [the research institute tied to the Radical Party], which states that in 1981 we ranked fourth among the arms-selling countries, after the United States (28.4 percent), USSR (26.2 percent) and France (11 percent). Today, we are in seventh place, having been topped by Great Britain, Germany, and even China. Italy's slice of the market is now down to 3 percent.

9399

CSO: 3528/108

CENTRAL BANK DIRECTOR SEES IMPROVEMENT IN TRADE DEFICIT

Copenhagen BERLINGSKE TIDENDE in Danish 11 Apr 87 Sect II p 4

[Article by Hugo Garden]

[Text] The central bank director predicts a major balance of payments improvement this year, but at the same time he predicts future economic difficulties.

"There is no hurry in reducing the short-term money market interest rate," the central bank director said yesterday after the annual meeting of the Mortgage Credit Board.

The short-term interest rate is 10 percent, and that is the rate at which the banks obtain loans from the Central Bank. Before the exchange crisis last January, the short-term interest rate was 9.25 percent. It was gradually raised to 14 percent to safeguard the value of the currency. The reason why the interest rate is not reduced completely now is that the long-term interest rate has increased sharply during the last few years in relation to foreign interest rates, according to Erik Hoffmeyer. The long-term interest rate will thus have to drop somewhat before the short-term interest rate may be "normalized."

In maintaining the 10 percent interest rate, Erik Hoffmeyer moreover wants to urge the business sector to borrow abroad. With a short-term interest rate of 10 percent, banks and savings banks will presumably maintain the present prime rate.

Erik Hoffmeyer expects a considerable balance of payments improvement this year. He predicts a deficit of approximately 20 billion kroner this year as against 35 billion kroner last year. "The measures of intervention last year as well as the initial steps toward normalization of the consumption have begun to show results, and the monthly deficits during the first few months of the year were half the deficits during the same period last year," Erik Hoffmeyer said at the annual meeting.

"In many ways, developments this year are satisfactory, but the reduced competitiveness and the low growth rate abroad give a gloomy outlook for the next few years and will undoubtedly cause us difficulties," he said.

7262

CSO: 3613/73

CENTRAL BANK, ECONOMIC ADVISORY COUNCIL PESSIMISTIC ON GROWTH

Copenhagen BERLINGSKE TIDENDE in Danish 21 Apr 87 Sect III p 4

[Article by Hugo Garden]

[Text] The rate of consumption appears to remain moderate for the present. If it should increase, we shall have to intervene, says the Central Bank. Intervention, however, cannot solve the economic problems. Steady efforts are required to increase the rate of production within the industrial sector.

If there are two bodies sticking together at present on the question of the Danish economy it is the Central Bank and the Economic Advisory Council.

The two bodies have approached each other in their perception of the state of the economy and the measures needed to solve the big balance of payments and employment problems.

Both the Central Bank and the Economic Advisory Board expect a considerable reduction of the balance of payments deficit this year. From 35 to 20 billion kroner, according to the Central Bank. The Economic Advisory Board expects a somewhat lower deficit. But at the same time they take a gloomy view of the long-term economic developments. The unemployment rate will increase, although the employment rate today is higher than indicated by most projections, and it will become difficult in the future to achieve any balance of payments improvements.

Moreover, it is characteristic that the Central Bank and the Economic Advisory Board seem to agree more or less that there are no longer any simple methods for solving the economic problems overnight--that is, if they meant what they said. Of recent years, improvements in the economic situation have generally been expected at a faster rate than was actually the case.

Consumption

Recently Central Bank Director Erik Hoffmeyer stressed the effect of the private consumption on the economy. It was the sharp increase in the rate of consumption which took the economists and the politicians by surprise in 1985 and 1986. "The consumption is the central factor in the balance of payments trends in 1987," Erik Hoffmeyer said at the annual meeting of the Mortgage Credit Board in Nyborg.

If the consumption rate becomes high in the coming months, we shall have to intervene, he said. He finds, however, that we shall have to adopt an attitude of wait-and-see for a few months. It is his impression that the consumption quota will become stabilized at a somewhat lower level than in 1986. The consumption quota is the portion of the income spent on consumption.

Both the Central Bank and the Economic Advisory Board expect the large increases in wage costs to cause a deterioration in the ability of Danish enterprises to compete abroad. However, they do not expect the wage increases to lead to a continued large increase in the consumption rate. While the wage costs of Danish enterprises will increase by approximately 8 percent annually, the incomes of salaried employees will increase by about 4 percent "only" during the same period. In addition, the potato diet and the tax reform are expected to damp the consumption rate.

"The events so far indicate that the population is beginning to realize that the measures of intervention undertaken in 1986 are now showing results," Erik Hoffmeyer said. The intervention in March of last year were among the most drastic measures ever taken.

Declining Confidence Among Consumers

The indicator of consumer confidence seems to support the view held by the central bank director. Throughout the fall and the winter, the confidence of the consumers in the economy showed a downward trend, and this was also the case in March. The indicator shows the expectations among the consumers of improvements in the national economy and in their own financial situation. The consumers do not expect any deterioration of their own financial situation within the next 12 months, but they expect a deterioration in the economic situation of the country. It is true that there is a somewhat greater desire to purchase major consumer goods than was the case in the fall and in the winter, but there is no sign whatever of any consumer boom. The collective agreements thus have not given rise to any increase in the rate of consumption.

Although Erik Hoffmeyer has previously stated that measures of intervention will have to be introduced rapidly if there should be an excessive increase in the rate of consumption, measures of intervention cannot improve the economic situation, they can merely prevent a deterioration.

Steady Efforts

What may then improve the economy? Erik Hoffmeyer says that it is the rehabilitation of the industrial sector during the last few years which will now yield results. "The large earnings of Danish enterprises in 1985 and 1986 may drop somewhat. And in addition, the enormous improvement in the productive apparatus during the last few years would provide the basis for increased production," Erik Hoffmeyer said after the annual meeting of the Mortgage Credit Board.

It is thus the steady efforts within the industrial sector that will cause an increase in the rate of production. The facts that a zero growth rate is expected this year and that a growth rate of only about 2.5 percent is expected abroad do not facilitate matters.

The Federation of Danish Industries expects an increase in the productivity rate this year of approximately 5 percent, equivalent to a 100 percent increase over the last few years. But that will to a certain extent take place at the cost of workplaces, since the more difficult conditions for the industrial sector will result in rationalization schemes and the closing down of enterprises. This will result in a higher rate of productivity but will thus cost jobs. The statistics on the influx of new orders clearly show that difficult times await the export industry.

Since the export industry therefore is now unable to bring about an improvement in the economic situation of the country, the idea of reducing the public sector has been voiced in several quarters during the last few weeks. This argument has often been advanced by the Federation of Danish Industries since the Danish export sector and industrial sector are small and the public sector large in comparison with other countries.



The consumer confidence indicator clearly shows a declining trend after a couple of years of a steady, positive trend. This means that the consumers do not expect any immediate improvement in their own financial situation and the economic situation of the country, and that is moreover an indication that the rate of consumption will be lower than of recent years. Graph: Troels Marstrand.

Key:

- (1) Confidence in economy
- (2) Source: Department of Statistics

7262

CSO: 3613/73

INDUSTRY COUNCIL STUDY: PRODUCTIVITY BETTER THAN CLAIMED

Copenhagen BERLINGSKE TIDENDE in Danish 18 Apr 87 Sect III p 2

[Text] According to the Federation of Danish Industries, the rate of industrial productivity is better than is often claimed, with growth rates of approximately 2.5 percent during the last few years, though it is far below the trends of the sixties. The Federation of Danish Industries expects an improvement of 5 percent this year.

Industrial productivity increased by 2.5 percent annually from 1983 to 1986, according to an analysis of the Federation of Danish Industries, and that is contrary to previous studies, which have shown a decline during the same period.

According to the Federation of Danish Industries, the previous productivity analyses were carried out on the basis of the existing national economy survey data--calculated as production per employed salary and wage earner.

The new analysis, which was published in ERHVERVSØKONOMISK BAROMETER of the Federation of Danish Industries, however, is based on production per carried-out working hour. This mode of calculation gives an increase in productivity of 2.5 percent annually during the last couple of years, and, according to the Federation of Danish Industries, this does not constitute any major difference from the development that has been recorded since the late seventies.

The trend during this period, however, differs greatly from the trend in the sixties, when productivity increased by 5-8 percent annually.

The Federation of Danish Industries finds that there is reason to warn "against too rigid interpretations of the productivity trends within the industrial sector that may be calculated on the basis of the national economy survey figures."

With a view to the balance of payments, the industrial sector has been severely criticized by politicians, who have claimed, among other things, of a too low productivity rate within the Danish industrial sector.

Incidentally, the Federation of Danish Industries expects the rate of productivity per carried-out working hour within the industrial sector to increase

by 5 percent in 1987. This, however, is not an unambiguously positive sign since part of the increase in productivity is caused by the shutdown of productions carried on at relatively low productivity levels. "This productivity increase thus does not contribute to any increase in prosperity within the society--on the contrary," the Federation of Danish Industries states.

7262

CS0: 3613/73

SDP ECONOMIC PROGRAM CRITICIZED BY CONSERVATIVE PAPER

Copenhagen BERLINGSKE TIDENDE in Danish 13 Apr 87 p 10

[Editorial: "They Have a Platform"]

[Text] Since the Social Democratic Party aims at becoming a governing party and, moreover, on the basis of a policy embracing the entire people, the economic platform, which has now been finalized by the executive committee of the Social Democratic Party, was anxiously awaited. The fact that there has been a certain amount of disunion among the members of the party, including the trade unions, did not diminish the excitement. And the business sector was, of course, especially interested in the matter, since Svend Auken, deputy chairman of the Social Democratic Party, only 3 weeks earlier had promised to treat the industrial sector well during a 3-year truce.

It is true that the said promise gradually became rather hollow, and the platform now confirms that Svend Auken merely talked the way the wind was blowing. For the truce presupposes legislation on compulsory profit sharing and labor market pensions, things that are unacceptable to the business sector, which wants both issues solved voluntarily and the issue of pensions via collective bargaining channels.

It does not facilitate matters that the Social Democratic Party failed entirely to incorporate in its platform the costs to the private sector and the public funds of these two main planks. Nevertheless, in his simple-mindedness, Anker Jorgensen praises the platform for arranging funds for its own financing.

The platform, of course, might hold other, quite different and interesting features. And, indeed, it does, as far as its incredibly stereotype nature is concerned. The party follows its own well-worn tracks, wanting to increase the consumption at the cost of investments in the business sector, even if the country needs the exactly opposite measures.

The party thus wants to reintroduce the system of double taxation on earnings from shares that the party itself had abolished because it had weakened the ability of the business sector to build its capital stock. The party also wants to remove the traditional foreign tax reliefs and the joint taxation which are well-established incentives for the needed internationalization of the export sector. For the sake of appearances, the sector was given a few dollops in the form of active business politics. This is the way in which the party gets the business sector out of the rut in which it was placed by Svend Auken.

The Social Democratic Party is unable to solve the problem of financing its platform. The party merely comes up with one proposal, i.e., the indirect tax on bond transactions, which it actually borrowed from the Socialist People's Party. One thing is that the platform in itself constitutes an enormous problem. More important, however, is the fact that the platform thus plays into the hands of the Socialist People's Party. This is, indeed, showing one's hand.

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CSO: 3613/73

FOREIGN TRADE MINISTER WELCOMES JOINT VENTURES WITH USSR

USSR Preference for Italy

Rome LA REPUBBLICA in Italian 13 Feb 87 p 5

[Interview with Foreign Trade Minister Rino Formica in Moscow in February]

[Text] Foreign Trade Minister Rino Formica was on an official visit in Moscow at the beginning of February shortly after the conclusion of the [Soviet] Communist Party Plenum. He had talks with Soviet officials and opened the way to a series of negotiations for orders and contracts totaling between 4 and 5 trillion lire, in addition to possibilities for joint ventures proposed by more than 20 Italian companies. From the meetings he got the impression that a radical change has taken place in the objectives and the conception of what the Soviet economy should be in the future.

Revolutionary Change

[Question] Mr Minister, what do you feel is the extent of Gorbachev's economic change?

[Answer] "I would say it is nearly revolutionary. For the first time firms are placed at the center of economic development and, what is more, the principle of international division of labor has been accepted in the conception of the economy. From my meetings in Moscow I clearly got the impression that a change had taken place in the way things are seen. The government and party officials with whom I spoke--such as Prime Minister Ryzkhov--are very often young people with a different culture than those of some time ago; they discuss problems, which until recently were taboo, and as a general rule do not fall into the traditional cliches. The reasonings they conveyed to me reveal a need for change in the relations with other countries to break through the 'bureaucratic' shell that has stifled Soviet economic development and the vital 'words' that are within the society."

[Question] Within this strategy what is the importance of the policy of joint ventures between Soviet and foreign companies?

[Answer] "Considerable, because it paves the way to future changes of historical impact in the management of the economy. It is above all an unprecedented event. Indeed, in order to find a similar agreement it is necessary to search back 60 years to the time of the NEP [New Economic Policy]. The ideological repercussions of the initiative were not underestimated by the Soviet leaders.

"The creation of companies managed according to the notion of profit, managerial methods, and foreign partnerships within a socialist economy constitutes a sharp break with the past because it shakes the myth that the Soviet system has greater potential."

[Question] With what consequences?

[Answer] "The idea of creating mixed economies is not only born from a need for technological exchange or a need to find an agreement between those who have the finances or technology and those who have the raw materials, and the markets, as has often been the case. It is also born from a need to introduce dialectics and conflicts within a society that does not provide for these elements. It recognizes a company's right to compensation for its capital, which means giving new value to social property. It recognizes these companies' rights to self-financing, meaning that the companies must produce, make profits, write off depreciations and amortizations, and compete freely in international markets. Labor rights are also recognized because when greater productivity is required the labor world becomes conflictual. Lastly, these companies do not come under the 5-year plan; in this way the development plan loses the rigidity it has had until the present."

[Question] What are the problems that will arise along the way.

[Answer] For the time being the studio is still quite unsettled, even from the point of view of standards. But I feel the extent of the changes can only be evaluated at a later date. The business ventures will indeed raise a conflictual problem that will have to be regulated. The political powers will have to take action as mediators and ensure that the conflict occurs and that the parties are guaranteed a certain range of freedom. For an economy and society such as that of the Soviet Union that is not a small change."

[Question] Has there also been a change in the objectives?

[Answer] "Yes, because the 5-year plan's basic strategy for the Soviet economy is not only based on increased growth, but also on increased productivity, therefore implying a restructuring of the existing system. The idea of cooperation through joint ventures with foreign companies goes along these lines. The foreign domain is no longer needed solely for the supply of large turn-key facilities, but also for the participation and involvement of companies in the restructuring of industry."

[Question] What possibilities will be made to Italian companies?

[Answer] "A great many. From the basic industries such as chemistry, iron and steel metallurgy, gas and refining, to the fields of mechanics, automobiles, and food and agriculture there is the possibility of future expansion of the cooperation between the two countries."

[Question] But competition with other countries will be tough.

[Answer] "Yes, but from the meeting I had and the signs I could gather, I became convinced that there is a preference for Italy. Several times I was told that our entrepreneurs should be the pioneers in this new trend. And it is no accident that the first joint venture was signed with an Italian company, and the person who saw to it that the deal went through was Prime Minister Ryzhkov himself."

[Question] How is it that Italy is preferred?

[Answer] "There is undoubtedly a choice in favor of Europe and, within Europe, for Italy, and not only for foreign policy reasons. The Soviets, just as other foreign observers, have been impressed by the accomplishments of the Italian economy, by the innovative capability and flexibility of our entrepreneurs. In my opinion, they feel that the industrial restructuring that took place in recent years in Italy is proof of our ability and a good lesson for those who, today, wish to confront the problems of reconverting the Soviet production system. There is, of course, a long tradition. Today, 944 Italian companies export to the Soviet Union for a trade figure of more than 2.8 trillion lire. The actors in this development are industrialists and companies that do not raise problems are realistic, discreet, and camouflaged like sole on the ocean floor. They are not intrusive, are flexible, and have the technology and capability. It is above all for this reason that they are appreciated."

Genuine Interest

[Question] What are the real possibilities of cooperation?

[Answer] "Very many, and not only in industry. The agreements should cover banking, finances, insurance, and leasing, here too by proposing joint ventures and not simply by opening up branches. I have already discussed this with the governor of the Bank of Italy, Mr Ciampi, who was very interested."

[Question] Private enterprise, however, greatly doubts the actual possibility of these joint ventures being successful. What do you think?

[Answer] "I do not know what will happen in the future. What I am sure of and what I have been told repeatedly is that this revolutionary formula is not a propaganda sleight-of-hand. There is a genuine interest in going ahead. I personally have no doubt that this is so. Throughout my travels I have seen countries with similar development needs, such as China. But in those cases the points of reference and comparison were countries, such as India, which had started from the same level and had had similar problems, such as that of famine. Today, the Soviet Union does not wish to, and cannot stop because it has a very high objective, that confronting the United States not only in the arms issue, but also over the vast field of industrial development."

Italian Businessmen Ready in USSR

Milan LA REPUBBLICA in Italian 13 Feb 87 p 5

[Text] Their ultimate objective is to be seen dining with the vice-minister of some economic ministry at the National Restaurant on the corner of Gorki Street just a stone's throw from Red Square, or at the "Praga," or the Miedzunarodnya, the large exhibition complex that rises on the bank of the Moskva, or still in the restaurants of the hotel built in Moscow by Armand Hammer. And it is always they who pick up the extremely stiff tab because Soviet leaders try to get every last ruble out of the Western businessman before granting the much-awaited contract. But they do so willingly because the stakes are high and the competition fierce. I am talking about those Italians who live in Moscow for business purposes, who spend their lives inside and outside the ministries, or on the phone with Italy, constantly under KGB surveillance. They are the emulators of the legendary Piero Savoretti, who completed the colossal projects of Fiat in the Soviet Union, who contributed to the construction of the Togliattigrad plant; Dino Gentili, who worked with his company Cogis for the State industries Iri and Eni; Giuseppe Ratti for Montedison; and Pepitoni and Jemma, ambassadors of the Italian Communist Party (PCI) and the cooperation movement, with their company Restital. They were the pioneers of trade between the West and Eastern Europe, people so powerful that they were nicknamed the "helmsmen." They were indeed the ferrymen who enabled Italian industry to reach the Kremlin: Piero Savoretti, for example. In Moscow he counted more than anyone, perhaps second only to Armand Hammer, the American of the Occidental Oil Company who was a personal friend of Lenin and Stalin. Guido Gentili with his Cogis successfully brought the barter principle--better known today as countertrade--to Moscow: oil and coal in exchange for machine tools, finished products, or even shoes in exchange for lumber. Pepitone and Jemma boasted primogeniture in the field of agricultural products, machinery for the food industry, tractors, and fertilizers. Today, those legendary times are partially over: the last of the helmsmen, Marco Vianello, left Moscow last year.

The helmsmen have been replaced with staff men coming from the individual companies who prefer to entrust their business to in-house personnel rather than external people, who are perhaps well introduced into the Soviet economic nomenclature, but are less sensitive to each company's logic. Thus, Fiat, Olivetti, Eni, Ansaldo, Pirelli, and Montedison have their own representatives along with the major banks: Comit, Credito Italiano, Banca Nazionale del Lavoro (Bnl), Banco di Napoli, Banco di Roma, Monte dei Paschi di Siena. Then come the independents such as Antonio Levi and Ezio Lelli of Sogecred (a joint venture between Bnl and the French Rothschilds), who deal in metallurgy and ferroalloys; Jack Clerici, who imports coal, oil, and iron ore for Italsider; Silvano Todaro with his Sytco, who partially took over the position of Restital and buys asbestos, ores, and scrap iron in the Soviet Union. Then there is Michele Randolfi, who, with Dobra, buys and sells tubes and iron ore. The Italians in Moscow are restless these days: soon the stars of both the public and private Italian sectors will arrive in Moscow to examine the joint venture proposals that the Soviet Government wishes to arrive at as soon as possible. A new initiative in the planned system of Moscow that lets us envision immense possibilities. And the Italians are there, ready to take advantage of them.

Italian Foreign Trade Account With the USSR

	<u>1984</u>	<u>1985</u>
	(in billion lire)	
Energy sources	-6,393	-4,876
Lumber and paper pulp	- 188	- 173
Nonferrous metallurgy:		
Ores and scrap metal	- 4	- 5
Products	- 41	- 166
Iron and steel industry:		
Ores and scrap metal	- 130	- 144
Products	+ 954	+ 858
Mechanics	+ 976	+ 887
Chemicals	+ 158	+ 267
Textiles-clothing-shoes	+ 310	+ 428
Food and agriculture	+ 10	+ 118
Miscellaneous	+ 37	+ 33
Totals	-4,310	-2,772

The trade deficit for the first 11 months of 1986 was 1,049 billion lire.

Import-Export Markets

	<u>USSR</u>		<u>Italy</u>	
	(percent of total)			
	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>
Western Europe	24	28	55	58
Eastern Europe	48	50	7	5
Africa	3	2	14	7
North America	5	1	7	14
Latin America	8	6	4	3
Middle East	2	3	7	7
Far East	9	10	5	5
Oceania	1	-	1	1

The tables compare data between the Soviet and Italian economies. The first [deleted] table contains the trade balance between the two countries for each area of activity. Italy had a deficit of nearly 3 trillion lire in 1985. The other table compares the primary economic information on the two countries. The last table shows which markets the exports and imports of the two countries are involved with.

13312/9365
CSO: 3528/84

IEA; DUTCH MUST CUT DEPENDENCY ON OIL, GAS

The Hague ANP NEWS BULLETIN in English 22 Apr 87 p 1

[Text] Paris, 22 Apr--The Netherlands should continue to reduce its dependence on oil and gas, the International Energy Agency IEA recommended on Wednesday in its latest review of the Dutch Government's energy policies.

Gas accounted for 53 percent of Dutch total primary energy requirements in 1985, compared with 51.4 in 1984. Oil provided 34 percent, down from 36 percent in 1984.

After last year's nuclear accident in Chernobyl, the Dutch Government postponed plans for increasing its nuclear generating requirements.

But to meet demand through to the end of the century, the Netherlands will have to take a decision promptly on whether to install coal-fired plants or some form of additional energy supply, the report said.

In 1985, as in 1984, energy production exceeded the country's energy needs. Gas production rose to 62.2 million tonnes oil equivalent (MTOE) from 59.5 MTOE in 1984.

Of this, 30.8 MTOE was exported (compared with 30.7 in 1984). But the report said that falling gas prices and lower demand in 1986 reduced government revenues on gas sales by an estimated 12 million guilders.

Offshore oil production increased 20 percent to 4.2 MTOE in 1985 but the report said lower prices in 1986 had caused a drop in spending on oil exploration and development.

If this trend continues, the Netherlands might not be able to achieve its target of 7.5 MTOE annual production by 1990, the report said.

Dutch exports of processed and traded oil increased in 1985 to 54.1 MTOE from 53.3 MTOE in 1984.

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CSO. 3600/6

BRIEFS

FOURTH LARGEST GAS PRODUCER--Hamburg 22 Apr--A report by Esso AG here says the Netherlands was the world's fourth largest producer of natural gas in 1986. The report, released on Wednesday, says the Netherlands produced 73.6 billion cubic metres of natural gas last year. The biggest producer was the Soviet Union (686 billion cubic metres), followed by the U.S. (455 billion) and Canada (84 billion). The Netherlands was the largest producer in Europe, followed by the UK (43 billion cubic metres) and Norway (25 billion). According to the report, total natural gas reserves of some 140 billion cubic metres have been found since exploration began in 1972, about a quarter of which have been used up. [Text] [The Hague ANP NEWS BULLETIN in English 23 Apr 87 p 1] /9274

CSO: 3600/6

MAJOR BUSINESS VIEWS ON EEC MEMBERSHIP

Istanbul HURRIYET in Turkish 8 Feb 87 pp 5, 17

[Third installment in series "Midnight 1999-2000" by Metin Corabatir: "'EEC Dream' Will Come True"; other installments not published]

[Text] Private Sector and Capital Exports

Especially since 1980, one of the leading topics of discussion in Turkey has been foreign capital. Intensive efforts are being made to eliminate present bureaucratic obstacles in order to attract foreign investment to Turkey. While these efforts were in progress, an interesting news item appeared in the newspapers last year. It was reported that Sabanci Holding purchased a factory in Switzerland. This subject brought discussion on the ability of Turkish capital to invest overseas onto the agenda.

Sakip Sabanci describes their initiative as one of the ways to overcome the EEC textile quotas for Turkey and as the first example of its kind. Sabanci says, "Our holding company has experience in textiles acquired through institutions such as Yunsa. We were thinking that we would also have conveniences like storage and early delivery if we owned a factory in Switzerland. Besides, by producing over there, we will be exempt from EEC quotas because of the value added to the product in Switzerland. This is part of the search for integration and one way, the first, of overcoming some of the quotas abroad; it is the first one of its kind."

Koc Holding approaches the subject from a similar angle. Holding company executives say that Turkish industry must go to foreign countries in areas where it feels strong enough for a healthy development. However, the same authorities point out that the real reason for this exodus will not be capital export because in the year 2000 it is expected that capital will be scarce compared to the need of investment. The authorities say, "However, in order to obtain more income in fields in

which we have an advantage, foreign investment will be needed. It is expected that in the year 2000 this development will be at a point where the process has started but has not developed much."

The Koc group also wishes to engage in foreign investments where goods sent from Turkey are packaged and will have the characteristics of establishments which will add value for the purpose of overcoming quotas.

Eczacibasi Holding's approach to this seems to be somewhat different. Holding company authorities explain that they are presently at a stage of reaching an agreement with some Middle Eastern countries in the pharmaceutical field where they have advanced technology.

"EEC Dream Will Materialize"

Even though the three leading firms of the Turkish private sector make different forecasts, they unite on the view that Turkey of the year 2000 will be much more developed than today regarding production of commodities and service. Then, to whom will Turkey market the goods and services it will produce in 13 years? In other words, if one leaves the domestic market aside for a moment, which countries will be Turkey's most important foreign trade partners 13 years from now? How will these partners rank in importance?

The estimated rankings made by Koc Holding, Sabanci Holding and Eczacibasi Holding concur with one another. All three holding companies rank the leading country groups which will be Turkey's trading partners in the year 2000 as follows:

1. EEC countries.
2. Middle Eastern countries and Iran.
3. The Soviet Union and other Eastern bloc countries.

While Koc Holding ranks North American countries (United States and Canada) fourth and Japan and other Far Eastern countries fifth, Sabanci Holding believes that China will be an important market.

Are We Going to Be a Member of EEC

Under these conditions, Turkey's full membership in the EEC gains importance, a topic on today's agenda as well. While the three big holding companies forecast that in the year 2000 EEC members will constitute the leading trading partners of Turkey, do they also believe that full integration with this community will materialize in 13 years?

Koc Holding's authorities give the following answer to this question: "According to our forecasts, Turkey will become a member to the EEC by finishing the entry negotiations in the first half of 1990's. However, it is expected that the transition period will take up to the year 2000."

Sakip Sabanci, while answering the same question said, "Circumstances and the politicians will decide whether or not we will join the EEC. Businessmen and industrialists will evaluate the benefits and drawbacks of our membership and give their opinions to the politicians who govern us. As an industrialist engaged in activities in various fields I say this: Hide behind customs barriers, produce at whatever cost you wish, dictate the price you desire, cheat the people...this is anachronistic. Now we said that we would build export-oriented factories that will keep me alive abroad and increase my market share against all odds. We are building them. We produce tires and what have you and export them. Judging by the fact that we came to an unbelievable point, we must have done something right. From black-marketing of tires we came to exporting. We will export them to the United States where we got the know-how. These things boost my morale. Because they boost my morale I say this: We will be able to join the EEC. When we join a whip will crack on our backs. It may sometimes burn and hurt us, it may injure us if it lands on our feet and arms. But the whip will increase our dynamism. Exploitation of the domestic market will stop. Instead of earning in the domestic market we will race in world competition, and this, in turn, will benefit society. Even though our joining the EEC has some drawbacks, it has benefits in the intermediate and long range. I recommend this to the politicians and bureaucrats: One who's thrown in water learns to swim. If we intend to join the EEC, we will join. We decided, we applied for it. In any case, the matter extends to the 2000's."

Eczacibasi, answering the question on EEC membership, says, "In the year 2000 our country will either be a full member of the EEC, or be at a stage very close to it."

Economy experts say that one of the most important obstacles for Turkey's EEC membership is the gap of national income between Turkey and the Community. According to these experts, a weak country's joining the EEC would mean greater concessions given by the Community.

According to Koc Holding, which predicts that by the year 2000 Turkey will be a full member of the EEC, "In 2000's, it is expected that in per capita national income, we will surpass Portugal, presently the poorest member of the Community. Even though we will be behind Spain and Greece, the difference will decrease. Even though we will be behind in terms of per capita income, in terms of sectors leading growth and industrialization, it is expected that Turkey will be well ahead of Greece. In terms of total national income, it is possible that Turkey's will be 2 to 3 times greater than Greece's."

According to Eczacibasi calculations, on the other hand, the gap between per capita incomes in Turkey and in the EEC will not be closed, but will decrease proportionally.

Increase of Holding Companies

The three major Turkish holding companies estimate that in the year 2000 EEC membership will be almost complete. Again, the same institutions expect that EEC member countries will have the biggest share in Turkey's foreign trade. To engage in such close relations with the European Economic Community will necessitate that present modes of incorporation in Turkey will have to change somewhat. It is argued that one condition of not being destroyed in the huge European production mechanisms is to establish optimum sized corporations where modern management methods dominate.

However, Koc, Sabanci and Eczacibasi do not consider it very likely that in the year 2000 there will be adequate numbers of modern giant corporations in Turkey.

Koc Holding believes that in the year 2000 none of the large, medium or small firms will be the dominant type of business enterprises. Koc Group, on the other hand, expects important qualitative changes in all types of firms regardless of size. Company authorities say, "Parallel to industrial development and increase of added value, we believe that a closer cooperation and solidarity will develop between these three types of firms."

Koc Holding also expects that "especially small enterprises of the year 2000 will be much more dynamic and developed from technological and managerial points of view."

While Sakip Sabanci demonstrates more optimistic expectations compared to Koc and Eczacibasi Holdings in other matters, to the question, "Will there be an increase of holding companies in the next 13 years, will there be those which will put pressure on you?" gives this pessimistic answer: "Unfortunately my answer for the last 5-6 years has been 'no' and not 'yes.' Bankruptcies, firms in distress and preclosures indicate that there is a somewhat worrisome situation. We have privatization and improvement of state enterprises on one hand. On the other hand, there are many firms that experience difficulties and are unable to manage their affairs. Their dynamism has disappeared. There is a contradiction nowadays." Sabanci also states that towards 2000 the number of big and successful firms must increase. Eczacibasi Holding's authorities, on the other hand, express the opinion that in Turkey of the year 2000 medium-sized firms will be the dominant type of enterprises.

Financing

Koc and Eczacibasi Holdings agree that in the year 2000 foreign capital's contribution to financing will increase and the capital market will gain a much greater importance, but also voice the opinion that, 13 years from today, private firms will continue to rely on net assets and bank credits.

Koc Holding's authorities say the following regarding this matter: "It is expected that the Turkish private capital will lean heavily on net capital. It is expected that financing through issuing shares and bonds will be of much greater proportions and importance than today. It is also unavoidable that the capital market will gain more importance and capital firms will become more prevalent. Big firms and those which wish to grow fast need

to turn to the capital market for the required funds. As the volume of the capital market expands, the diversity of types of stocks and bonds will also increase."

On the subject of financing, Eczacibasi's authorities say the following: "Even though the foreign capital share will increase in the financial structure of Turkish private firms, bank credits will continue to be the most important source. The capital market will develop significantly compared to today due to opening up to the public."

In the banking field, the Koc and Eczacibasi groups consider it likely that towards 2000, there will be more specialization and that deposit banking will lose its prominence. Furthermore, they expect that, parallel to EEC legislation, banks ownership of firms will be limited.

Sakip Sabanci explains his views and forecasts regarding the banking sector as follows: "There is inertia in Turkish banking, because, for as long as I can remember, those who ask for credit are many, the demand is high, the supply is limited. There is no competition as well. A few years ago an American bank came; it was followed by 20 more foreign banks. Their arrival has created a milieu of competition in the domestic market. The competitive environment provided for more dynamic training and kept the banks on their toes. I believe that the banking system, too, will be different than today."

What will Turkey sell and buy from those countries which are estimated to be her leading trade partners in the year 2000?

According to Koc Holding: In 2000, Turkey's major export items might be agricultural and animal products, consumer and durable consumer goods, ready-made food, textile products, secondary automotive industrial products and standard investment goods.

Sabanci Holding forecasts that food industry products and textiles will continue to be the leading items in exports.

Eczacibasi Holding, which believes that "industrial products will occupy the most important place in exports," includes industrial products based on agriculture and textiles in the concept of industrial products.

All three businesses predict that in the year 2000 raw materials and intermediate products will lead Turkey's imports and these will be followed by investment and consumer products.

12990/8309
CSO: 3554/207

ISSUE OF REAL ESTATE SALES TO FOREIGNERS EXAMINED

Istanbul CUMHURİYET in Turkish 4 Mar 87 p 2

[Article by parliamentary deputy and former minister of finance Vural Arıkan: "The Legal Perplexities in the Minister's Views"]

[Text] When the Constitutional Court repealed on 17 February 1987 the two laws enacted by the Assembly with regard to property sales to the Arabs, a proposal was tabled to hold a hearing of government ministers in the Assembly. The proposal was, of course, defeated by Motherland Party [MP] votes.

The responses of the Minister of State and government spokesman to the charges during the discussion of the issue were interesting. His mannerism deserved an audience. However, bypassing the issue of mannerism, in this article we concentrate on some of the legal perplexities in the views of the government spokesman.

Majority View

Because the ruling of the Constitutional Court was taken by a majority of votes, the minister of state tried to take advantage of the minority view in his defense. The minister essentially implied that if the decision of the Constitutional Court is not taken unanimously, the government may not have to comply with the decision.

The fact of the matter is that if a court decision is taken by a sufficient majority, then it must be implemented and complied with. This is how it has been in the past and how it will be in the future in all judicial organs which have several judges sitting on the bench.

On this issue, the minister cited two examples:

1. The minister said--as stated in the court's minority view--that the requirement of "reciprocity" was dropped in Law No. 2634 on Encouragement of Tourism (enacted on 12 March 1982) and the Petroleum Law and that this is a matter of "domestic law."

In our opinion, this example neither faults nor minimizes the importance of the Constitutional Court decisions. Here is why:

a) This issue has not been discussed by the Constitutional Court until now. The Constitutional Court expressed its views on this matter for the first time in lieu of the repeal of the two laws in question. Two other laws which have not been scrutinized by the Constitutional Court cannot be used as a as a valid precedent for these laws.

b) The Law on Encouragement of Tourism was enacted at the time Mr Ozal was the deputy prime minister, and because of the time period in which it was enacted that law is beyond the jurisdiction of the Constitutional Court even today.

c) Moreover, the exemption made [with regard to reciprocity] in the said law is applicable only to touristic enterprises. These companies, for which the law envisages incentives, are required to be "Turkish-registered partnerships."

The same rule applies to foreign capital. The Council of State has ruled that profits derived from the sale of the property of a Turkish-registered company with foreign capital backing is not transferable overseas. It is evident that the underlying principle of this Council of State ruling and the decision of the Constitutional Court reinforce each other.

d) Petroleum-related activities are conducted globally because of the nature of that business. On the other hand, exploration and operation rights and concessions are granted for specified periods. Consequently, in this case, too, there is no question of a sale of land similar to the case at hand.

2. As is known, Turkish nationals need visas to enter many countries. Arab countries and Iran require such visas. On the other hand, we do not require entry visas from the citizens of many countries for entry into Turkey. The Minister of State believes that just as we do not require visas from foreigners to promote free travel we can choose not to require permits from foreigners in property sales. But the reasoning given in the ruling of the Constitutional Court on this issue is very clear:

"No objections can be raised in general to the view that a government's prerogative to grant certain rights to foreigners on its territory and not to seek reciprocity from the governments of the foreigners is a matter of domestic law. The difference between the principle reciprocity as applied to real estate ownership and the principle of reciprocity as applied to other issues stems from the relationship of the state with the principal physical entity known as 'country'. This relationship mandates a different approach and sensitivity to this issue. Retreating from these requirements [of reciprocity] unilaterally for any reason is equivalent to endorsing the principle of equality in the special law of nations with its imperative effect on foreigners. Moreover, the beneficiaries of the right in this case are individuals. A government's decision to grant foreigners on its soil a right which is not granted to its own citizens in the country of the foreigners cannot be easily defended."

It is evident from this reasoning that the issue at hand cannot be compared to other issues.

One important rule of jurisprudence is: Special circumstances must be interpreted "within the limits of their boundaries."

The right of property ownership is one of man's most ancient rights. In our country, the need for security of property as urgently as security of life was recognized for the first time by the Reform Edict of 1839 and the Reform Edict of 1856 cited measures to ensure security of property and life. Later, our first constitution in 1876 incorporated important provisions with regard to the right of property ownership. Article 21 of that constitution makes it clear that each person is assured of his right of owning his property unless public interests mandate otherwise and until the value of the property is paid to the owner in full.

Property Rights in Our Constitutions

These principles were incorporated in our 1924, 1961 and 1982 constitutions. The 1924 Constitution described the right of property ownership as a natural right while the 1961 and 1982 constitutions describe it as a basic social right. However, what is the essence of the right of property ownership? How can bounds be imposed on the right of property ownership? Our Constitutional Court has several rulings clarifying these questions which are not explicitly answered in our Constitution. According to Constitutional Court rulings the social structure of the Turkish society is based on the principle of private property (Constitutional Court Decision No. 966/23, File No. 966/3, on 28 April 1966, Journal of Constitutional Court Decisions, No. 4). The right of property ownership gives the individual the broadest latitude with regard to the use of his property with the proviso that the individual not harm any other individuals and that he comply with the provisions of the law. In fact, this latitude gives the individual the right to destroy his own property.

Constitutional Court decisions also give the legislative branch unlimited powers to document the right of property ownership. The right of property ownership can be restricted only in instances where the public good is at issue (Constitutional Court Decision No. 966/34, File No. 963/156, on 20 September 1966, Journal of Constitutional Court Decisions, No. 4). As a result, all constitutions state that immovable property can be nationalized in instances necessitated by the public good.

Property Ownership by Foreigners

The 1982 Constitution does not incorporate explicit provisions on this issue but stipulates that "the basic rights and freedoms of foreigners can be restricted by legislation which conforms with international law."

Both decisions of the Constitutional Court link the property ownership rights of foreigners to the principle of "reciprocity." The reaffirmation of this binding principle leads to the following results:

1. "Reciprocity" is a symbol of equality among governments.
2. "Reciprocity" is the result of the principle of the supremacy of national interests.

3. The freedom of the National Assembly is bounded by this principle, just as limiting circumstances exist with regard to property ownership rights in domestic law.

4. In legal terms, "reciprocity" is a requirement for ensuring the soundness of the "terms of contract."

When we examine the issue in the light of these conclusions, we can make the following observations:

1. The statement by the Minister of State to the effect that "we will make the United Arab Emirates agree to the principle of reciprocity through the Foreign Ministry, and this problem will thus be resolved" has no legal value. Because reciprocity did not exist at the time of the agreement. In law, situations do exist where retroactivity may apply but not with respect to the soundness of a contract.

2. As stated in the Constitutional Court decision, the definition of the term "national interests" raises certain ambiguities. However, from the very outset the Constitutional Court used "reciprocity" as the sole measure of national interests in this case from a constitutional standpoint. Confusing this decision with the principle of "propriety" after the decision has been handed down is equivalent to blatantly opposing the Constitutional Court.

3. Constitutional Court decisions become effective on the day they are published. The decision repealing the second law was published on 31 January 1987. But the Constitutional Court's [first] decision was broadcast to the public by the TRT [Turkish Radio and TV Administration] on 9 October 1986.

According to the Minister of State, permission was granted upon request on 21 November 1986 and the contract was signed on 16 January 1987 after obtaining the approval of the Land Registry Directorate General, the Office of the Chief of the General Staff and the Ministry of Agriculture, Forestry and Village Affairs.

Curiously, the court's decision reached the Prime Minister's office on 16 January 1987. Therefore there was an attempt to rush things through.

What remains undisclosed in this incident is the date His Majesty the Amir submitted his request. If his request came before the date the new law went into effect then it would be invalid. Because that would be affected by the first decision of the Constitutional Court. If the request was made after 9 October 1986 it should not have been approved. Because the TRT, the official broadcast organ of the state, reported the court's decision. Governments are supposed to and must take measures in such circumstances. These measures could have been a rescission of the decision of the Council of Ministers or an administrative step. If administrative measures are not going to be taken on this issue, then where are they going to be taken?

NORTH GOLDEN HORN SEWAGE SYSTEM CONSTRUCTION TO BEGIN

Istanbul TERCUMAN in Turkish 17 Mar 87 p 3

[Sadettin Erkisi report]

[Text] The contract for the construction of the first phase of the North Golden Horn sewage collector was signed yesterday by Greater Istanbul Mayor Bedrettin Dalan, ISKI [Istanbul Water and Sewage Works] Director General Atom Damali and Eser Tumen, chairman of the board of STFA, the contracting firm. Together with the South Golden Horn collector, the North Golden Horn collector--which will serve a 6,500-hectare area in the districts of Sisli, Beyoglu and Besiktas--will solve Istanbul's sewage problems comprehensively.

Speaking at the signing ceremony, Mayor Dalan said that in terms of sewage services Istanbul is a fairly poor city, that the South Golden Horn project was begun as part of his efforts to resolve this problem since the day he took office and that the said project will be completed this year.

The North Golden Horn project will consist of the North Golden Horn peripheral collectors--whose contract was signed yesterday--the Kabatas-Baltalimani underground collector, the Baltalimani preprocessing pumping station and the Baltalimani sea discharge station.

The North Golden Horn peripheral collectors, which will extend from the Sunnet Bridge in Kagithane to Dolmabahce, will cost 16.5 billion Turkish lira, will take 2 years to complete and will solve the sewage problems of the residents of the western side of the city. The North Golden Horn peripheral collectors will consist of the following segments:

An open-channel collector with an internal diameter of 2,200 millimeters and a length of 3,400 meters extending from the Sunnet Bridge to Haskoy.

The Kasimpasa underground collector with an internal diameter of 2,200 millimeters and a length of 1,710 meters extending from Haskoy to Kasimpasa.

A service tunnel with an internal diameter of 3,200 millimeters and a length of 812 meters extending from Kasimpasa to Tophane.

Two open-channel collectors, one with an internal diameter of 2,400 millimeters and a length of 239 meters and the other with an internal diameter of 3,200 millimeters and a length of 213 meters extending along the Kasimpasa valley.

The Findikli underground collector with an internal diameter of 3,200 millimeters and a length of 1,850 meters extending from Tophane to Dolmabahce.

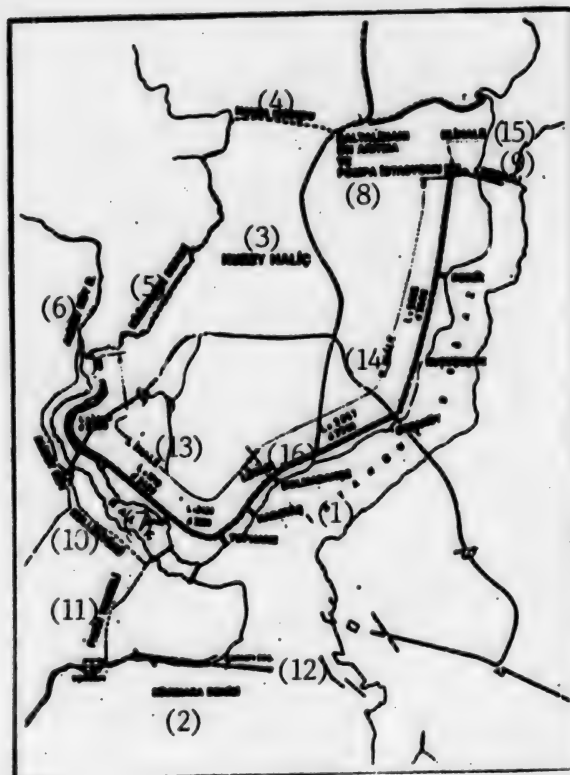
Kabatas-Baltalimani Tunnel Collector

The Kabatas-Baltalimani underground collector which will extend from Kabatas to Baltalimani hugging the western shore of the Bosphorus and which is expected to complete in 2 years will consist of the 3-kilometer-long Besiktas tunnel, the 3.4-kilometer-long Arnavutkoy tunnel and the 2.3-kilometer-long Baltalimani tunnel. This project is currently open for bidding.

The contract for the Baltalimani preprocessing and pumping station, which will pump the waste water coming through the peripheral collectors to the preprocessing plant and which will discharge the processed water to the sea without another pumping station, will open for bids this year.

It was disclosed that the paperwork on the Baltalimani sea discharge system has been completed and that bids will be invited on the project this year. With a maximum daily capacity of 1 million cubic meters, the said facility will pump the processed waste water to the Baltalimani discharge point through a 500-meter long high-pressure pipe and will discharge the water to the currents of the Bosphorus via a 350-meter discharge line.

The North Golden Horn sewage project which will extend from the Sunnet Bridge--which is located at the juncture of the Kagithane stream with the Golden Horn--to Baltalimani and which will be built as an open-channel system for 4 kilometers and an underground system for 13 kilometers will be completed in 1989.



The North Golden Horn sewage project

Key:

1. Bosphorus Strait
2. Marmara Sea
3. North Golden Horn
4. Service area boundary
5. Kagithane Stream
6. Alibey Koy Stream
7. Golden Horn
8. Baltalimani preprocessing plant and pumping station
9. Discharge point
10. Alibey Koy collector pipe
11. Fatih-Tunceli collector pipe
12. Kumkapi discharge point
13. 1st phase
14. 2d phase
15. 3d phase
16. Istanbul Stadium

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CSO: 3554/217

CEMENT INDUSTRY READY FOR PRIVATIZATION

CITOSAN Prepares to Accept Bids

Istanbul DUNYA in Turkish 24 Feb 87 pp 1,11

[Oya Berberoglu report]

[Excerpts] Ankara--As efforts intensify to comply with Prime Minister Turgut Ozal's directive "to end preparatory work and to begin privatization of the state economic enterprises [SEEs] in 1987," CITOSAN [Turkish Cement and Soil Industry Corporation]--which was cited as one of the first SEEs to be privatized in the Morgan Guaranty master plan on privatization--has completed its work in this direction. It has been disclosed that CITOSAN will soon be privatized at the factory level with the sale of partnership shares.

Officials noted that the American firms, the Morgan Guaranty Bank, the Lazard Brothers and the Shearson-Lehman Brothers prepared privatization plans, that the Turkish Industrial and Development Bank acted as a consultant to CITOSAN and that Sema-Metra has been appointed to implement an appropriate sales program in the second stage. The officials said that work with regard to the privatization of CITOSAN's factories has been completed and that currently final adjustments are being made to the sale price of the factories and the number and the price of the shares to be sold. The officials added: "We hope that the Public Partnership Administration will take over the company in the coming days and that the sale to the public will begin without delay."

Public Partnership Administration officials indicated that work on the sale of stock shares has reached its final stage and that, however, no decision has yet been made with regard to the timing of the sale and the price of the shares. Nevertheless, the officials added: "The sale will begin very soon."

According to the information obtained, CITOSAN's cement factories in western Turkey will be privatized through the sale of partnership shares. Work on the privatization of the company revealed that it would be impossible to sell CITOSAN as a single group and that the most realistic solution would be to privatize its factories by selling stock of individual factories. CITOSAN has a total of 21 cement factories. Its 10 factories in the east will be privatized after they are rehabilitated.

Morgan Guaranty's Appraisal: 55 Billion

The Morgan Guaranty Bank which drew up the master plan for the privatization of SEEs appraised CITOSAN's 11 cement factories in western Turkey at 55 billion Turkish lira. However, this appraisal has been contested by officials of the State Planning Organization and CITOSAN. CITOSAN officials have insisted that the average value of a single cement factory is around 15 billion Turkish lira and that this view is gaining acceptance. Consequently, the 11 cement factories to be privatized will be sold for a total price of over 150 billion Turkish lira.

CITOSAN Report

CITOSAN's privatization plan, which was based on the privatization plans prepared by the foreign firms, says: "CITOSAN's factories in the west must be immediately privatized, while its factories in the east must be privatized after they are rehabilitated. The sale of CITOSAN as a whole is a weak proposition, because then the total price would be lower and such a sale would create an unfair monopoly in the east. The sale of CITOSAN's western and eastern factories as a package is not seen as a possible option. Consequently, it would be most realistic to privatize CITOSAN factory by factory by selling shares of a subsidiary partnership."

CITOSAN officials indicated that CITOSAN employees will be given priority in the sale of the shares and that the remaining shares will be sold to commercial firms.

First Step Taken

Meanwhile, CITOSAN took the first step toward privatization prior to its sale. It was decided to turn the 15 subsidiaries of CITOSAN in Istanbul--all except its manufacturing division--into a subsidiary partnership. Following this decision taken by the Higher Coordination Council for Economic Affairs, CITOSAN subsidiaries Yarimca, Bozuyuk, Konya Chromium Magnesite, Trabzon Cement, Sivas Cement and Urfa Cement were combined into a subsidiary partnership. The remaining nine subsidiaries are also expected to be included into subsidiary partnership in the coming days.

Firms

Morgan Guaranty's privatization plan for CITOSAN called for the sale of CITOSAN to the general public or to groups and the privatization of CITOSAN's factories in the east after they are rehabilitated. The firm Sema-Metra conducted additional work on the privatization of CITOSAN on the basis of Morgan Guaranty's proposals and its final proposals were found acceptable. In contrast, the American firm Lazard Brothers proposed a two-stage bidding system which would be open to both domestic and foreign firms.

At the end of these studies, it was decided that the privatization of CITOSAN factory by factory through the sale of subsidiary partnership shares would be the most appropriate method of privatizing CITOSAN.

CITOSAN owns cement factories in Adiyaman, Afyon, Ankara, Askale-Balikesir, Bartin, Corum, Elazig, Ergani, Gaziantep, Iskenderun, Kars, Kurtalan, Ladik, Nigde, Pinarhisar, Sivas, Soke, Sanliurfa, Trabzon and Van.

Turkey's current cement production capacity is approximately 23.7 million metric tons a year. CITOSAN produces 40 percent of this amount. In 1987, CITOSAN produced 7.2 million metric tons of cement.

CITOSAN Subsidiaries Initially to Be Put On Sale

Afyon Cement Industry
Ankara Cement Industry
Askale Cement Industry
Balikesir Cement Industry
Bartın Cement Industry
Corum Cement Industry
Ladik Cement Industry
Nigde Cement Industry
Pinarhisar Cement Industry
Sivas Cement Industry
Soke Cement Industry

Private Producer Expresses Qualms About Methods

Istanbul DUNYA in Turkish 24 Feb 87 pp 1,11

[Text] Ayduk Celenk, the president of the Cement Group of the Sabanci Holding Company, said that for the private sector the most important question in the privatization of state-owned cement factories is who will control the management and administration of the privatized companies. Stating that his firm is interested in buying CITOSAN subsidiaries, Celenk said: "Faulty management and bureaucracy are the leading problems of the cement factories. If their stock is going to be sold on stock exchanges, certificates of competence must be obtained from the private companies which will take over the management of CITOSAN."

As work on the privatization of CITOSAN reached its final stage, it was learned that six large cement producers will bid to buy CITOSAN.

CITOSAN officials disclosed that the Sabanci Holding Company, the Koc Holding Company, OYAK, Western Anatolia Cement, Canakkale Cement and Cimentas will submit bids to buy CITOSAN factories.

Ayduk Celenk whom we interviewed in connection with this issue said that for privatization to be successful it is necessary to determine who will control the "management and administration" of the factories to be put on sale.

Stating that the private firms to bid on the factories offered for sale must be required to produce certificates of competence as in the case of construction bids, Celenk said:

"New investments will be urgently needed to rehabilitate these factories and to rationalize their operations. Some of the machinery needs to be renovated. The issue of who will control the management and administration of these factories must be settled in order to proceed with these investments. If the management of the factories will be controlled by the government--and it appears that that is what will happen since the stock is being sold directly to the public--then privatization will largely fail to achieve its goals because the primary purpose of privatization is to ensure the efficient operation of factories which have not been able to work efficiently for years because of bureaucratic red tape. That is why if the management and administration of the factories is to be controlled by the private sector, the firms which will take over the management must be required to produce certificates of competence. If the stock of the factories is sold directly to the public, problems will certainly emerge with regard to the control of management."

Celenk insisted that it would more appropriate to privatize a factory in the west and one in the east at the same time and that otherwise it would be difficult for the private sector to see any attraction in the eastern factories whose management is difficult.

Meanwhile, the State Investment Bank has obtained a 3-billion-yen loan from Japan to convert CITOSAN factories to coal.

The loan which was obtained from Japan's Export-Import Bank and which was disclosed in public announcements by the State Investment Bank, carries an interest rate of 6 percent and has a maturity term of 5 years. According to information obtained from State Investment Bank and CITOSAN officials, the loan will be used to import coal-crushing machines from Japan as part of the project to convert CITOSAN factories to coal.

Noting that the cement industry is an energy-intensive operation, CITOSAN officials said that the use of coal is more cost-effective than that of oil and that new projects are under way to convert to coal. Explaining that coal-crushing machines are needed to replace fuel oil with coal as the energy source of the factories, the officials said that these machines will be bought from Japan using the "import on credit" method..

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CSO: 3554/200

QUESTIONS ON NEW FIGURE'S APPEARANCE IN PRESS, BANKING SECTORS

Activities Detailed

Athens TA NEA in Greek 31 Mar 87 pp 18-19

[Text] A "meteorite" has suddenly plunged into the financial and journalistic affairs of our country. He is 35-year-old Giorgos Koskotas, formerly an oil-painter in New York and now a large-scale banker and large-scale publisher in Greece.

For some, the banker-publisher G. Koskotas constitutes yet another confirmation of the notion concerning the "smart Greek emigrant" who departed penniless to a foreign country, worked hard, even doing the most unorthodox jobs, studied, and managed to return to his homeland an extremely wealthy man.

Others, after pointing to the emergence of G. Koskotas in a manner unprecedented in business affairs (within 3 years he found himself in second place in the importation of foreign exchange into our country, after the operations of the Vardinogiannis family), do not neglect to ask: "Where did Koskotas find the money?"

Furthermore, they remind us that in a country where all people in public life are obligated to report the "source of one's wealth," this banker-publisher as well ought someday to respond to this question on the origin of his money, since with his business initiatives he is in the front ranks of those in the public eye.

Also "Leasing"

This is all the more the case, in fact, since at this time the business activities of the young banker cover a very broad spectrum, starting with the publishing of newspapers and periodicals and extending to cannery and "leasing" enterprises (renting means of production and business equipment to third parties):

- Only 15 days ago he purchased the KATHIMERINI, and he is planning to publish yet another afternoon newspaper within 1987.

- Via the company "Grammi A. E.," he publishes five periodicals: "NEA," KAI, "TV3," "TETARTO," AND "MIA."

- He is expanding his printing facilities in Pallini, with printing-press and photocomposition machinery of the latest type.

- He is making preparations for the creation of a private television channel and a news distribution agency, while it has been written--without this being contradicted--that he is negotiating for the purchase of a television studio and is going to establish a radio broadcasting station.

- He has the Bank of Crete, and last November he was in litigation over purchasing the shareholdings of the Bank of Central Greece.

Also included within the orbit of his activities are: Operations for "reorganizing" distressed businesses, "leasing" and construction work, steelmaking in Akhaia, a canning enterprise in Evros, and others.

Nor has an answer to the above question been given by the former chairman of the Association of Greek Industrialists, Dim. Marinopoulos. Last Thursday, after his speech on the subject "The Relations Between the Press and Industry," he was asked about the activity of businessmen in the sector of the press, and specifically about Koskotas, and he replied:

"Koskotas is a capable person, but we do not know anything more. Do you?"

The Origin

In his rare statements, G. Koskotas himself does not refer to the origin of the money with which he entered into the business affairs of Greece; he dwells more on the importing of foreign exchange, "which this country needs so much."

Even in December 1984, when he purchased the Bank of Crete, to questions about the manner of purchase and the origin of the money he responded via the ENA that "the transfer of the shares was done with absolute legitimacy and openness," which was reminiscent of his first circular to the employees in the bank, in which he said: "We deal not only with money, but also with social resources, and we must ensure their Greek character."

In the same period his very close colleague D. Kounelakis, a member of the Administrative Council of the Bank of Crete and in charge of public relations, responded when asked in December 1984 about the origin of the 1 billion drachmas with which G. Koskotas purchased the bank that the money comes from profits in stock-exchange "dealings"--thus relaying the standpoint of the banker.

From Europe

But facts that in a fragmentary way are coming into the limelight suggest that at least in the banking game, the activity in which G. Koskotas is engaged is being extended and backed by the European Banking System.

It is indicative that at the time when the young banker was aspiring to also purchase the Bank of Central Greece (September 1986), the then deputy minister

of national economy, Pan. Roumeliotis, made public a table--with the blessings of foreign financiers--from which it follows that:

On the basis of Presidential Decree 170/86 (which permits the importing of capital from member countries of the EEC), the Bank of Crete brought in \$15 million (about 2.064 billion drachmas) from Luxembourg for the purposes of investments in Greece.

But as spokesmen of the employees in the bank of G. Koskotas have observed, in the table that was made public there is in parentheses the word "Meditfine."

The questions that arose then for the spokesmen of the employees and that are still unanswered so far were:

- What does "Meditfine" mean? Is it a company that perhaps has its headquarters in Luxembourg?
- If yes, when was it founded? Who are its shareholders?
- Is it the case that with this money some shares in the Bank of Crete were purchased, and if so what percentage of the total shares belongs to the bank today?

The Employee

G. Koskotas, a graduate of the University of New York with a PhD in economic sciences--as is stated in his very brief biography that the ENA published in 1979--came to the Bank of Crete in 1979 as an official, "purchasing" at the same time 2 percent of its shares."

Previously he had lived for 9 years in America, from where he immigrated along with his father, mother, and brother Stavros.

Koskotas came to the Bank of Crete in 1979, at the time of the departure from this bank of Feidias Doukaris, the vice-chairman of the Administrative Council, who the following year "set up" the Bank of Central Greece. After a 6-year "saga" of legal battles and of charges even of felonious acts brought against Doukaris and his colleagues, this bank was to be litigated over and for the a time "won" by Koskotas, with his "losing" it again following a decision by the premier.

Publications

At the end of 1983, Koskotas entered the publishing field with the periodical ENA, whose first managing editor was the journalist Pavlos Bakogiannis, husband of Doras Mitsotaki, daughter of the leader of the New Democracy Party.

Within 3 years the number of periodicals of the company Grammi A. E. were to grow to five, but the withdrawal of P. Bakogiannis also was a manifestation of the attempt of the banker to avoid "identifications" with the party of the official opposition and establish an "approach" towards the government--something which would make more clear certain subsequent events, such as:

The meetings and discussions with the counsel to the premier, Giannis Papanikolaou, by the chief supporters of the position that the Bank of Central Greece ought to be given to G. Koskotas.

The recent arrangement on giving the banker legal services by the lawyer Giannis Mandzouranis, formerly the secretary for the Council of Ministers and a familiar officer of PASOK. And further, the presence on the Administrative Council of the Bank of Crete of P. Vakalis (first vice-chairman, alternate managing director, and first general director), formerly a consultant for the Organization for the Rehabilitation of Enterprises and an officer in the governing party.

On the other hand, when the "Grammi A.E." first appeared in 1982, the persons having shares in this were the sister of Pavlos Bakogiannis, Anastasia, with 55 percent--she being the wife of D. Kasvikis, who was living in the United States--Bakogiannis himself with 20 percent, and D. Kounelakis with 25 percent, and members of the Administrative Council were G. Koskotas, El. Papazoglou of the company "Diakhroniki A. E.," and Dimitriadis, another in-law of the leader of the ND.

The Bank of Crete

One year after his appearance in the publishing field, in December 1984, G. Koskotas, being an employee of the Bank of Crete, caused a sensation with an unprecedented--at least for Greek affairs--move: He purchased the bank at which he was working!

"Lifeless" until 1974, the Bank of Crete was sold by Livalis, its owner up to then, to the Karras brothers. Two Liberian companies became the chief shareholders of the bank, with power of attorney held by F. Doukaris and "Sarpidon A.E." of the Karras brothers.

In 1979 Doukaris had a disagreement with the Karras brothers and departed, taking with him a large sum of money as compensation, and after a year he "set up" the Bank of Central Greece, in which he was appointed general legal and financial adviser. The management of the Bank of Crete was assumed essentially by the vice-chairman of its Administrative Council, G. Kalamotousakis. Koskotas was also taken on, with a salary in 1981 amounting to 130,000 drachmas.

Koskotas had available to him 1 billion drachmas for purchasing the Bank of Crete. According to what was said by P. Vakalis at that time in the NEA, this amount constituted a portion of a sum of \$4.2 million that G. Koskotas had brought to Greece. Of this money:

- Some \$1 million was converted into drachmas at the Bank of Greece, and the "Ekali Gardens," a complex of residences at Dionysos in Attiki, was purchased.

- The remaining \$3.2 million, as P. Vakalis affirmed, was deposited to the account of M. Koskotas at the Athens branch of the Bank of Makedonia-Thraki.

- With this money, the package of shares of the Bank of Crete was purchased.

According to 1985 data, the picture for the bank at that time was: Total assets (in millions of drachmas), 47,104; net earnings per share (in drachmas), 152.2; and dividend per share (in drachmas), 116. The corresponding figures for 1980 were: 13,231; 132.7; and 112.

Furthermore, the Administrative Council of the bank was made up of G. Koskotas (chairman, managing director), P. Vakalis (first vice-chairman), Foivi Lembesi (second vice-chairman), Akh. Kyriakidis (member, second general director), G. Sarris (member, regional director for Crete), K. Khrysospathis (member, regional director for the Fourth Regional Directorate), K. Gounaris (member, regional director for Northern Greece), N. Salavrakos (member, legal counsel), and D. Kounelakis (member, consultant to the directorate).

The Purchase of the Bank of Central Greece

Koskotas, already having one bank, appeared last September as the chief claimant for the Bank of Central Greece. Following the withdrawal of Feidias Doukaris and his colleagues, which was accompanied also by an announcement of charges of fraudulent actions at the felony level, in September 1984 I. Oikonomopoulos was appointed as its temporary representative by a decision of the governor of the Bank of Greece, D. Khalikias. Later, Oikonomopoulos resigned and I. Papakonstandinou took over.

In a telex message to the Bank of Greece, Koskotas informed it that \$7.8 million was available in the account of a New York bank, which could be used for covering the increase by 1.050 billion drachmas in the share capital of the Bank of Central Greece.

In those times, reports came into the limelight about relations between staff officers of Koskotas and the American stock-exchange organization "Merrill Lynch," which--again according to what was published--is "under the control of the Mafia, as was asserted at an international level also by a recent documentary that the BBC presented, which shocked financial circles in England and the United States."

The same evening of this publication, the brothers Giorgos and Stavros Koskotas and Mikh. Pappas, who were mentioned by name in the publication, stated that they would file charges for slanderous libel against the newspaper that published the reports. The charges were lodged, and also 100 million drachmas were sought at the same time for "damage to character."

About 2 months later, in the afternoon of Friday, 31 October, a television broadcast gave the news that the representative of the Bank of Central Greece, I. Papakonstandinou, had given the bank to Koskotas.

Less than 2 hours passed before the minister of national economy, K. Simitis, made an announcement characterizing the decision of the representative as invalid, because "it was made without the knowledge of the government," and he

replaced the representative, appointing instead S. Kalamitsis, who finally turned over the bank to the Agricultural Bank of Greece.

The order to the minister concerning the annulment of the transfer of the bank was given over the telephone by the premier, whom Simitis had contacted.

Mammoth Investment

In parallel with his banking activities, the young businessman made preparations to publish a daily afternoon newspaper by making a new mammoth investment, in Pallini of Attiki, where he was to establish the super-modern printing shops and the personnel for his publishing company "Grammi A. E."

According to the same reports again, the total cost of this investment is estimated to be about 3 billion drachmas, but--from what has emerged so far--the owner of the Bank of Crete does not seem disposed to cover this cost with his own money.

From charges made by the employees at the Ionian and People's Bank of Greece, it has become known that the publishing company Grammi A. E. received loans amounting to 300 million drachmas from that bank for meeting part of the cost of the investment in Pallini.

At about the same time it was explained that such financing does not have to point to anything "blamable," since a letter of guarantee of equivalent value from the Bank of Crete was deposited for this grant.

But other reports--the cross-checking of which is "hindered" by banking confidentiality--expect the young businessmen, banker, and publisher to cover 80 percent of the total cost of this investment by loans from Greek banks and branches of foreign banks in Greece against certain letters of guarantee from the Bank of Crete.

The question--which was raised also by spokesmen of employees at this bank--is whether this specific bank has the capacity to grant letters of guarantee amounting to 2 to 2.5 billion drachmas, at a time when its share capital barely exceeds 3 billion drachmas (3,037,800,000 drachmas).

A recent episode in the "Koskotas saga" is the purchase of the tradition-minded newspaper of the conservative faction, the KATHIMERINI. This purchase surely points to the radical changes and developments happening at this time both in the Greek press and in the sector of the mass media.

Funds Provenance Questioned

Athens PONDIKI in Greek 10 Apr 87 pp 26-27

[Excerpts] In his purchase of the KATHIMERINI, a businessman prodigy, G. Koskotas, is entering the club of the Union of Athens Daily Newspaper Editors, before he has even published his own newspaper.

Acting completely contrary to what has been customary up to now, Koskotas:

- First of all, entered the field of the periodical press with as many periodicals as the number of his children: five!

- Then, purchased an already established newspaper: the KATHIMERINI.

- And, later (at the beginning of 1988 at the earliest) he will publish the first newspaper of his own: the "24 ORES."

(Up to now, usually a publisher would first publish his own newspaper and only afterwards would try his luck with the periodical press. And in any case never within such a short period (4 years) has there been a publisher who published so many periodicals--and who kept them regardless of whether they did well or not).

A distinctive feature is that he is trying to cover all the fields, without striving anywhere to "make a bang" in terms of circulation. Everywhere he is satisfied with having a presence (almost always a presentable one).

Now, his next major objective is not a single goal (like his newspaper), as one would expect. It is a multiple objective, involving various things that not unjustifiably are keenly worrying the press Establishment. The already large-scale publisher:

- Is litigating for the "third channel," whenever and if his opportunity comes--and perhaps he will establish a radio broadcasting station if this opportunity is late in coming.

- He is bringing in machinery of the latest type, with the objective of printing not only his own publications (at his facilities in Pallini, the expansion of which will be finished this summer), but also other printed matter, for this country or for further afield!

- He is making preparations for "regional presses" that will print his newspaper in various large cities.

And of course--from the nature of things--he will be obliged also to build an agency for distributing newspapers and periodicals, although he has not yet referred formally to his plans (the problem of distribution is the most important problem of the press. Today, there are two agencies: The old "Athens Press Newspaper Agency" and the new "Central Agency of the Daily and Periodical Press").

Perhaps all these things would not be of such concern to so many people (including some outside the sector of the press as well) if the same person did not happen:

- To have a bank of his own--and almost a second one,

- to have entered into a variety of other fields, always with plenty of money: Construction enterprises, a canning factory in Evros, steel works (Akhaia), his own organization for the rehabilitation of enterprises, for purposes of

the "reorganization" of distressed enterprises, a business within the framework of the "leasing" system--and who knows what else.

And above all, to have money from an inexhaustible and secret source--and here is where the mystery of the entire story lies.

When we first presented a (full-fledged) portrait of Koskotas (on 12 September 1986), we noted:

"...To any naive person (learning about the future plans--editor's note: that is, of Koskotas--and continuing to be amazed at this) who asks: 'But is there money?' the stereotyped answer of the banker-publisher is: 'Unlimited amounts of it!'"

And we concluded with a persistent question: Where did Koskotas find so very much money (and in such a short period of time)?

- In the United States, speculating in the stock exchange, is his own answer "to his friends."

- Many people say that it is not his own money, without of course being able to specify whose it is (and his charge against the ETAKOS, which linked him with the Mafia, will be coming (on 12 May) before the courts).

Perhaps Andreas [Papandreou] has solved the mystery in the meeting that he had with this person--as the PONDIKI revealed recently (27 March)--and for this reason he is speaking everywhere in a complimentary way about this 35-year-old large-scale publisher, banker, and multi-faceted businessman, who is surely a unique phenomenon, and not only in connection with the sector of the press.

12114

CSO: 3521/113

PAPER EXAMINES REASONS BEHIND RELIGIOUS ATTACKS

NC140719 Istanbul CUMHURİYET in Turkish 11 May 87 p 1, 13

[Unattributed editorial: "From Prayers To Politics in Ramadan"]

[Text] It seems that the investments made in the life of the community and the state have begun to produce results. Regrettably, these investments are not related to the economic field, nor are they aimed at upgrading production. What we are talking about is religious investments in the educational and political domains. We have arrived at a point at which Ramadan 1987 is becoming a month full of incidents throughout the country.

The first incident broke out among Van University students. The supporters of the "Guards of Islam" organization attacked university students not fasting with knives and sticks, resulting in the death of one student and the wounding of five others.

This was followed by an attack on students studying at the Technical Education College affiliated with Gazi University because they were drinking tea instead of fasting.

The third incident, carried by the newspapers yesterday, also concerned students. Two students attending Cebeci Vocational School for Girls were caught trying to poison tea to be served students who were not fasting.

These incidents, which have been covered in detail by the newspapers, indicate that the situation has reached serious proportions. The month of Ramadan has been isolated from the traditional approach of Muslims and is being used as an excuse for religious pressures and clashes. The double standard policy that has prevailed in the educational system for a long time is to blame for the incidents occurring in the universities and the high schools. Meanwhile, the mobilization in state establishments, the National Assembly, the universities, and the schools for building mosques is likely to create major problems in the future. A time may come when people may be divided into two groups; those who go to mosques and those who do not, just as in the case of those who fast and those who do not. This may give rise to clashes in the country.

No one in the universities and other educational institutions 40 years ago would be concerned about whether people fasted during Ramadan, nor would

anyone argue about going to a mosque. The change has been caused by the politicians who have destroyed freedom of faith and rendered secularism inapplicable by using religion as a political instrument over the past 40 years.

What is important is the way in which this state of affairs will be brought to an end, because Ramadan is currently regarded in Turkey as an opportunity for politics and not for prayers.

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DATE FILMED

7 Aug. 1987

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Two open-channel collectors, one with an internal diameter of 2,400 millimeters and a length of 239 meters and the other with an internal diameter of 3,200 millimeters and a length of 213 meters extending along the Kasimpasa valley.

The Findikli underground collector with an internal diameter of 3,200 millimeters and a length of 1,850 meters extending from Tophane to Dolmabahce.

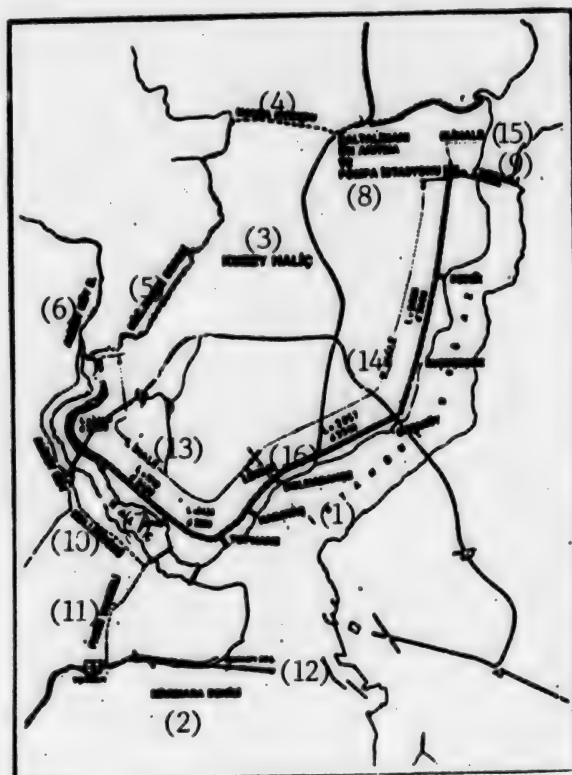
Kabatas-Baltalimani Tunnel Collector

The Kabatas-Baltalimani underground collector which will extend from Kabatas to Baltalimani hugging the western shore of the Bosphorus and which is expected to complete in 2 years will consist of the 3-kilometer-long Besiktas tunnel, the 3.4-kilometer-long Arnavutkoy tunnel and the 2.3-kilometer-long Baltalimani tunnel. This project is currently open for bidding.

The contract for the Baltalimani preprocessing and pumping station, which will pump the waste water coming through the peripheral collectors to the preprocessing plant and which will discharge the processed water to the sea without another pumping station, will open for bids this year.

It was disclosed that the paperwork on the Baltalimani sea discharge system has been completed and that bids will be invited on the project this year. With a maximum daily capacity of 1 million cubic meters, the said facility will pump the processed waste water to the Baltalimani discharge point through a 500-meter long high-pressure pipe and will discharge the water to the currents of the Bosphorus via a 350-meter discharge line.

The North Golden Horn sewage project which will extend from the Sunnet Bridge--which is located at the juncture of the Kagithane stream with the Golden Horn--to Baltalimani and which will be built as an open-channel system for 4 kilometers and an underground system for 13 kilometers will be completed in 1989.



The North Golden Horn sewage project

Key:

1. Bosphorus Strait
2. Marmara Sea
3. North Golden Horn
4. Service area boundary
5. Kagithane Stream
6. Alibey Koy Stream
7. Golden Horn
8. Baltalimani preprocessing plant and pumping station
9. Discharge point
10. Alibey Koy collector pipe
11. Fatih-Tunceli collector pipe
12. Kumkapi discharge point
13. 1st phase
14. 2d phase
15. 3d phase
16. Istanbul Stadium

9538

CSO: 3554/217

CEMENT INDUSTRY READY FOR PRIVATIZATION

CITOSAN Prepares to Accept Bids

Istanbul DUNYA in Turkish 24 Feb 87 pp 1,11

[Oya Berberoglu report]

[Excerpts] Ankara--As efforts intensify to comply with Prime Minister Turgut Ozal's directive "to end preparatory work and to begin privatization of the state economic enterprises [SEEs] in 1987," CITOSAN [Turkish Cement and Soil Industry Corporation]--which was cited as one of the first SEEs to be privatized in the Morgan Guaranty master plan on privatization--has completed its work in this direction. It has been disclosed that CITOSAN will soon be privatized at the factory level with the sale of partnership shares.

Officials noted that the American firms, the Morgan Guaranty Bank, the Lazard Brothers and the Shearson-Lehman Brothers prepared privatization plans, that the Turkish Industrial and Development Bank acted as a consultant to CITOSAN and that Sema-Metra has been appointed to implement an appropriate sales program in the second stage. The officials said that work with regard to the privatization of CITOSAN's factories has been completed and that currently final adjustments are being made to the sale price of the factories and the number and the price of the shares to be sold. The officials added: "We hope that the Public Partnership Administration will take over the company in the coming days and that the sale to the public will begin without delay."

Public Partnership Administration officials indicated that work on the sale of stock shares has reached its final stage and that, however, no decision has yet been made with regard to the timing of the sale and the price of the shares. Nevertheless, the officials added: "The sale will begin very soon."

According to the information obtained, CITOSAN's cement factories in western Turkey will be privatized through the sale of partnership shares. Work on the privatization of the company revealed that it would be impossible to sell CITOSAN as a single group and that the most realistic solution would be to privatize its factories by selling stock of individual factories. CITOSAN has a total of 21 cement factories. Its 10 factories in the east will be privatized after they are rehabilitated.

Morgan Guaranty's Appraisal: 55 Billion

The Morgan Guaranty Bank which drew up the master plan for the privatization of SEEs appraised CITOSAN's 11 cement factories in western Turkey at 55 billion Turkish lira. However, this appraisal has been contested by officials of the State Planning Organization and CITOSAN. CITOSAN officials have insisted that the average value of a single cement factory is around 15 billion Turkish lira and that this view is gaining acceptance. Consequently, the 11 cement factories to be privatized will be sold for a total price of over 150 billion Turkish lira.

CITOSAN Report

CITOSAN's privatization plan, which was based on the privatization plans prepared by the foreign firms, says: "CITOSAN's factories in the west must be immediately privatized, while its factories in the east must be privatized after they are rehabilitated. The sale of CITOSAN as a whole is a weak proposition, because then the total price would be lower and such a sale would create an unfair monopoly in the east. The sale of CITOSAN's western and eastern factories as a package is not seen as a possible option. Consequently, it would be most realistic to privatize CITOSAN factory by factory by selling shares of a subsidiary partnership."

CITOSAN officials indicated that CITOSAN employees will be given priority in the sale of the shares and that the remaining shares will be sold to commercial firms.

First Step Taken

Meanwhile, CITOSAN took the first step toward privatization prior to its sale. It was decided to turn the 15 subsidiaries of CITOSAN in Istanbul—all except its manufacturing division—into a subsidiary partnership. Following this decision taken by the Higher Coordination Council for Economic Affairs, CITOSAN subsidiaries Yarimca, Bozuyuk, Konya Chromium Magnesite, Trabzon Cement, Sivas Cement and Urfa Cement were combined into a subsidiary partnership. The remaining nine subsidiaries are also expected to be included into subsidiary partnership in the coming days.

Firms

Morgan Guaranty's privatization plan for CITOSAN called for the sale of CITOSAN to the general public or to groups and the privatization of CITOSAN's factories in the east after they are rehabilitated. The firm Sema-Metra conducted additional work on the privatization of CITOSAN on the basis of Morgan Guaranty's proposals and its final proposals were found acceptable. In contrast, the American firm Lazard Brothers proposed a two-stage bidding system which would be open to both domestic and foreign firms.

At the end of these studies, it was decided that the privatization of CITOSAN factory by factory through the sale of subsidiary partnership shares would be the most appropriate method of privatizing CITOSAN.

CITOSAN owns cement factories in Adiyaman, Afyon, Ankara, Askale-Balikesir, Bartin, Corum, Elazig, Ergani, Gaziantep, Iskenderun, Kars, Kurtalan, Ladik, Nigde, Pinarhisar, Sivas, Soke, Sanliurfa, Trabzon and Van.

Turkey's current cement production capacity is approximately 23.7 million metric tons a year. CITOSAN produces 40 percent of this amount. In 1987, CITOSAN produced 7.2 million metric tons of cement.

CITOSAN Subsidiaries Initially to Be Put On Sale

Afyon Cement Industry
Ankara Cement Industry
Askale Cement Industry
Balikesir Cement Industry
Bartın Cement Industry
Corum Cement Industry
Ladik Cement Industry
Nigde Cement Industry
Pinarhisar Cement Industry
Sivas Cement Industry
Soke Cement Industry

Private Producer Expresses Qualms About Methods

Istanbul DUNYA in Turkish 24 Feb 87 pp 1,11

[Text] Ayduk Celenk, the president of the Cement Group of the Sabanci Holding Company, said that for the private sector the most important question in the privatization of state-owned cement factories is who will control the management and administration of the privatized companies. Stating that his firm is interested in buying CITOSAN subsidiaries, Celenk said: "Faulty management and bureaucracy are the leading problems of the cement factories. If their stock is going to be sold on stock exchanges, certificates of competence must be obtained from the private companies which will take over the management of CITOSAN."

As work on the privatization of CITOSAN reached its final stage, it was learned that six large cement producers will bid to buy CITOSAN.

CITOSAN officials disclosed that the Sabanci Holding Company, the Koc Holding Company, OYAK, Western Anatolia Cement, Canakkale Cement and Cimentas will submit bids to buy CITOSAN factories.

Ayduk Celenk whom we interviewed in connection with this issue said that for privatization to be successful it is necessary to determine who will control the "management and administration" of the factories to be put on sale.

Stating that the private firms to bid on the factories offered for sale must be required to produce certificates of competence as in the case of construction bids, Celenk said:

"New investments will be urgently needed to rehabilitate these factories and to rationalize their operations. Some of the machinery needs to be renovated. The issue of who will control the management and administration of these factories must be settled in order to proceed with these investments. If the management of the factories will be controlled by the government--and it appears that that is what will happen since the stock is being sold directly to the public--then privatization will largely fail to achieve its goals because the primary purpose of privatization is to ensure the efficient operation of factories which have not been able to work efficiently for years because of bureaucratic red tape. That is why if the management and administration of the factories is to be controlled by the private sector, the firms which will take over the management must be required to produce certificates of competence. If the stock of the factories is sold directly to the public, problems will certainly emerge with regard to the control of management."

Celenk insisted that it would more appropriate to privatize a factory in the west and one in the east at the same time and that otherwise it would be difficult for the private sector to see any attraction in the eastern factories whose management is difficult.

Meanwhile, the State Investment Bank has obtained a 3-billion-yen loan from Japan to convert CITOSAN factories to coal.

The loan which was obtained from Japan's Export-Import Bank and which was disclosed in public announcements by the State Investment Bank, carries an interest rate of 6 percent and has a maturity term of 5 years. According to information obtained from State Investment Bank and CITOSAN officials, the loan will be used to import coal-crushing machines from Japan as part of the project to convert CITOSAN factories to coal.

Noting that the cement industry is an energy-intensive operation, CITOSAN officials said that the use of coal is more cost-effective than that of oil and that new projects are under way to convert to coal. Explaining that coal-crushing machines are needed to replace fuel oil with coal as the energy source of the factories, the officials said that these machines will be bought from Japan using the "import on credit" method..

9588

CSO: 3554/200

QUESTIONS ON NEW FIGURE'S APPEARANCE IN PRESS, BANKING SECTORS

Activities Detailed

Athens TA NEA in Greek 31 Mar 87 pp 18-19

[Text] A "meteorite" has suddenly plunged into the financial and journalistic affairs of our country. He is 35-year-old Giorgos Koskotas, formerly an oil-painter in New York and now a large-scale banker and large-scale publisher in Greece.

For some, the banker-publisher G. Koskotas constitutes yet another confirmation of the notion concerning the "smart Greek emigrant" who departed penniless to a foreign country, worked hard, even doing the most unorthodox jobs, studied, and managed to return to his homeland an extremely wealthy man.

Others, after pointing to the emergence of G. Koskotas in a manner unprecedented in business affairs (within 3 years he found himself in second place in the importation of foreign exchange into our country, after the operations of the Vardinogiannis family), do not neglect to ask: "Where did Koskotas find the money?"

Furthermore, they remind us that in a country where all people in public life are obligated to report the "source of one's wealth," this banker-publisher as well ought someday to respond to this question on the origin of his money, since with his business initiatives he is in the front ranks of those in the public eye.

Also "Leasing"

This is all the more the case, in fact, since at this time the business activities of the young banker cover a very broad spectrum, starting with the publishing of newspapers and periodicals and extending to cannery and "leasing" enterprises (renting means of production and business equipment to third parties):

- Only 15 days ago he purchased the KATHIMERINI, and he is planning to publish yet another afternoon newspaper within 1987.

- Via the company "Grammi A. E.," he publishes five periodicals: "NEA," KAI, "TV3," "TETARTO," AND "MIA."

- He is expanding his printing facilities in Pallini, with printing-press and photocomposition machinery of the latest type.

- He is making preparations for the creation of a private television channel and a news distribution agency, while it has been written--without this being contradicted--that he is negotiating for the purchase of a television studio and is going to establish a radio broadcasting station.

- He has the Bank of Crete, and last November he was in litigation over purchasing the shareholdings of the Bank of Central Greece.

Also included within the orbit of his activities are: Operations for "reorganizing" distressed businesses, "leasing" and construction work, steelmaking in Akhaia, a canning enterprise in Evros, and others.

Nor has an answer to the above question been given by the former chairman of the Association of Greek Industrialists, Dim. Marinopoulos. Last Thursday, after his speech on the subject "The Relations Between the Press and Industry," he was asked about the activity of businessmen in the sector of the press, and specifically about Koskotas, and he replied:

"Koskotas is a capable person, but we do not know anything more. Do you?"

The Origin

In his rare statements, G. Koskotas himself does not refer to the origin of the money with which he entered into the business affairs of Greece; he dwells more on the importing of foreign exchange, "which this country needs so much."

Even in December 1984, when he purchased the Bank of Crete, to questions about the manner of purchase and the origin of the money he responded via the ENA that "the transfer of the shares was done with absolute legitimacy and openness," which was reminiscent of his first circular to the employees in the bank, in which he said: "We deal not only with money, but also with social resources, and we must ensure their Greek character."

In the same period his very close colleague D. Kounelakis, a member of the Administrative Council of the Bank of Crete and in charge of public relations, responded when asked in December 1984 about the origin of the 1 billion drachmas with which G. Koskotas purchased the bank that the money comes from profits in stock-exchange "dealings"--thus relaying the standpoint of the banker.

From Europe

But facts that in a fragmentary way are coming into the limelight suggest that at least in the banking game, the activity in which G. Koskotas is engaged is being extended and backed by the European Banking System.

It is indicative that at the time when the young banker was aspiring to also purchase the Bank of Central Greece (September 1986), the then deputy minister

of national economy, Pan. Roumeliotis, made public a table--with the blessings of foreign financiers--from which it follows that:

On the basis of Presidential Decree 170/86 (which permits the importing of capital from member countries of the EEC), the Bank of Crete brought in \$15 million (about 2.064 billion drachmas) from Luxembourg for the purposes of investments in Greece.

But as spokesmen of the employees in the bank of G. Koskotas have observed, in the table that was made public there is in parentheses the word "Meditfine."

The questions that arose then for the spokesmen of the employees and that are still unanswered so far were:

- What does "Meditfine" mean? Is it a company that perhaps has its headquarters in Luxembourg?

- If yes, when was it founded? Who are its shareholders?

- Is it the case that with this money some shares in the Bank of Crete were purchased, and if so what percentage of the total shares belongs to the bank today?

The Employee

G. Koskotas, a graduate of the University of New York with a PhD in economic sciences--as is stated in his very brief biography that the ENA published in 1979--came to the Bank of Crete in 1979 as an official, "purchasing at the same time 2 percent of its shares."

Previously he had lived for 9 years in America, from where he immigrated along with his father, mother, and brother Stavros.

Koskotas came to the Bank of Crete in 1979, at the time of the departure from this bank of Feidias Doukaris, the vice-chairman of the Administrative Council, who the following year "set up" the Bank of Central Greece. After a 6-year "saga" of legal battles and of charges even of felonious acts brought against Doukaris and his colleagues, this bank was to be litigated over and for the a time "won" by Koskotas, with his "losing" it again following a decision by the premier.

Publications

At the end of 1983, Koskotas entered the publishing field with the periodical ENA, whose first managing editor was the journalist Pavlos Bakogiannis, husband of Doras Mitsotaki, daughter of the leader of the New Democracy Party.

Within 3 years the number of periodicals of the company Grammi A. E. were to grow to five, but the withdrawal of P. Bakogiannis also was a manifestation of the attempt of the banker to avoid "identifications" with the party of the official opposition and establish an "approach" towards the government--something which would make more clear certain subsequent events, such as:

The meetings and discussions with the counsel to the premier, Giannis Papanikolaou, by the chief supporters of the position that the Bank of Central Greece ought to be given to G. Koskotas.

The recent arrangement on giving the banker legal services by the lawyer Giannis Mandzouranis, formerly the secretary for the Council of Ministers and a familiar officer of PASOK. And further, the presence on the Administrative Council of the Bank of Crete of P. Vakalis (first vice-chairman, alternate managing director, and first general director), formerly a consultant for the Organization for the Rehabilitation of Enterprises and an officer in the governing party.

On the other hand, when the "Grammi A.E." first appeared in 1982, the persons having shares in this were the sister of Pavlos Bakogiannis, Anastasia, with 55 percent--she being the wife of D. Kasvikis, who was living in the United States--Bakogiannis himself with 20 percent, and D. Kounelakis with 25 percent, and members of the Administrative Council were G. Koskotas, El. Papazoglou of the company "Diakhroniki A. E.," and Dimitriadis, another in-law of the leader of the ND.

The Bank of Crete

One year after his appearance in the publishing field, in December 1984, G. Koskotas, being an employee of the Bank of Crete, caused a sensation with an unprecedented--at least for Greek affairs--move: He purchased the bank at which he was working!

"Lifeless" until 1974, the Bank of Crete was sold by Livalis, its owner up to then, to the Karras brothers. Two Liberian companies became the chief shareholders of the bank, with power of attorney held by F. Doukaris and "Sarpidon A.E." of the Karras brothers.

In 1979 Doukaris had a disagreement with the Karras brothers and departed, taking with him a large sum of money as compensation, and after a year he "set up" the Bank of Central Greece, in which he was appointed general legal and financial adviser. The management of the Bank of Crete was assumed essentially by the vice-chairman of its Administrative Council, G. Kalamotousakis. Koskotas was also taken on, with a salary in 1981 amounting to 130,000 drachmas.

Koskotas had available to him 1 billion drachmas for purchasing the Bank of Crete. According to what was said by P. Vakalis at that time in the NEA, this amount constituted a portion of a sum of \$4.2 million that G. Koskotas had brought to Greece. Of this money:

- Some \$1 million was converted into drachmas at the Bank of Greece, and the "Ekali Gardens," a complex of residences at Dionysos in Attiki, was purchased.
- The remaining \$3.2 million, as P. Vakalis affirmed, was deposited to the account of M. Koskotas at the Athens branch of the Bank of Makedonia-Thraki.

- With this money, the package of shares of the Bank of Crete was purchased.

According to 1985 data, the picture for the bank at that time was: Total assets (in millions of drachmas), 47,104; net earnings per share (in drachmas), 152.2; and dividend per share (in drachmas), 116. The corresponding figures for 1980 were: 13,231; 132.7; and 112.

Furthermore, the Administrative Council of the bank was made up of G. Koskotas (chairman, managing director), P. Vakalis (first vice-chairman), Foivi Lembesi (second vice-chairman), Akh. Kyriakidis (member, second general director), G. Sarris (member, regional director for Crete), K. Khrysospathis (member, regional director for the Fourth Regional Directorate), K. Gounaris (member, regional director for Northern Greece), N. Salavrakos (member, legal counsel), and D. Kounelakis (member, consultant to the directorate).

The Purchase of the Bank of Central Greece

Koskotas, already having one bank, appeared last September as the chief claimant for the Bank of Central Greece. Following the withdrawal of Feidias Doukaris and his colleagues, which was accompanied also by an announcement of charges of fraudulent actions at the felony level, in September 1984 I. Oikonomopoulos was appointed as its temporary representative by a decision of the governor of the Bank of Greece, D. Khalikias. Later, Oikonomopoulos resigned and I. Papakonstandinou took over.

In a telex message to the Bank of Greece, Koskotas informed it that \$7.8 million was available in the account of a New York bank, which could be used for covering the increase by 1.050 billion drachmas in the share capital of the Bank of Central Greece.

In those times, reports came into the limelight about relations between staff officers of Koskotas and the American stock-exchange organization "Merrill Lynch," which--again according to what was published--is "under the control of the Mafia, as was asserted at an international level also by a recent documentary that the BBC presented, which shocked financial circles in England and the United States."

The same evening of this publication, the brothers Giorgos and Stavros Koskotas and Mikh. Pappas, who were mentioned by name in the publication, stated that they would file charges for slanderous libel against the newspaper that published the reports. The charges were lodged, and also 100 million drachmas were sought at the same time for "damage to character."

About 2 months later, in the afternoon of Friday, 31 October, a television broadcast gave the news that the representative of the Bank of Central Greece, I. Papakonstandinou, had given the bank to Koskotas.

Less than 2 hours passed before the minister of national economy, K. Simitis, made an announcement characterizing the decision of the representative as invalid, because "it was made without the knowledge of the government," and he

replaced the representative, appointing instead S. Kalamitsis, who finally turned over the bank to the Agricultural Bank of Greece.

The order to the minister concerning the annulment of the transfer of the bank was given over the telephone by the premier, whom Simitis had contacted.

Mammoth Investment

In parallel with his banking activities, the young businessman made preparations to publish a daily afternoon newspaper by making a new mammoth investment, in Pallini of Attiki, where he was to establish the super-modern printing shops and the personnel for his publishing company "Grammi A. E."

According to the same reports again, the total cost of this investment is estimated to be about 3 billion drachmas, but--from what has emerged so far--the owner of the Bank of Crete does not seem disposed to cover this cost with his own money.

From charges made by the employees at the Ionian and People's Bank of Greece, it has become known that the publishing company Grammi A. E. received loans amounting to 300 million drachmas from that bank for meeting part of the cost of the investment in Pallini.

At about the same time it was explained that such financing does not have to point to anything "blamable," since a letter of guarantee of equivalent value from the Bank of Crete was deposited for this grant.

But other reports--the cross-checking of which is "hindered" by banking confidentiality--expect the young businessmen, banker, and publisher to cover 80 percent of the total cost of this investment by loans from Greek banks and branches of foreign banks in Greece against certain letters of guarantee from the Bank of Crete.

The question--which was raised also by spokesmen of employees at this bank--is whether this specific bank has the capacity to grant letters of guarantee amounting to 2 to 2.5 billion drachmas, at a time when its share capital barely exceeds 3 billion drachmas (3,037,800,000 drachmas).

A recent episode in the "Koskotas saga" is the purchase of the tradition-minded newspaper of the conservative faction, the KATHIMERINI. This purchase surely points to the radical changes and developments happening at this time both in the Greek press and in the sector of the mass media.

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(Up to now, usually a publisher would first publish his own newspaper and only afterwards would try his luck with the periodical press. And in any case never within such a short period (4 years) has there been a publisher who published so many periodicals--and who kept them regardless of whether they did well or not).

A distinctive feature is that he is trying to cover all the fields, without striving anywhere to "make a bang" in terms of circulation. Everywhere he is satisfied with having a presence (almost always a presentable one).

Now, his next major objective is not a single goal (like his newspaper), as one would expect. It is a multiple objective, involving various things that not unjustifiably are keenly worrying the press Establishment. The already large-scale publisher:

- Is litigating for the "third channel," whenever and if his opportunity comes--and perhaps he will establish a radio broadcasting station if this opportunity is late in coming.

- He is bringing in machinery of the latest type, with the objective of printing not only his own publications (at his facilities in Pallini, the expansion of which will be finished this summer), but also other printed matter, for this country or for further afield!

- He is making preparations for "regional presses" that will print his newspaper in various large cities.

And of course--from the nature of things--he will be obliged also to build an agency for distributing newspapers and periodicals, although he has not yet referred formally to his plans (the problem of distribution is the most important problem of the press. Today, there are two agencies: The old "Athens Press Newspaper Agency" and the new "Central Agency of the Daily and Periodical Press").

Perhaps all these things would not be of such concern to so many people (including some outside the sector of the press as well) if the same person did not happen:

- To have a bank of his own--and almost a second one,

- to have entered into a variety of other fields, always with plenty of money: Construction enterprises, a canning factory in Evros, steel works (Akhaia), his own organization for the rehabilitation of enterprises, for purposes of

the "reorganization" of distressed enterprises, a business within the framework of the "leasing" system--and who knows what else.

And above all, to have money from an inexhaustible and secret source--and here is where the mystery of the entire story lies.

When we first presented a (full-fledged) portrait of Koskotas (on 12 September 1986), we noted:

"...To any naive person (learning about the future plans--editor's note: that is, of Koskotas--and continuing to be amazed at this) who asks: 'But is there money?' the stereotyped answer of the banker-publisher is: 'Unlimited amounts of it!'"

And we concluded with a persistent question: Where did Koskotas find so very much money (and in such a short period of time)?

- In the United States, speculating in the stock exchange, is his own answer "to his friends."

- Many people say that it is not his own money, without of course being able to specify whose it is (and his charge against the ETHNOS, which linked him with the Mafia, will be coming (on 12 May) before the courts).

Perhaps Andreas [Papandreou] has solved the mystery in the meeting that he had with this person--as the PONDIKI revealed recently (27 March)--and for this reason he is speaking everywhere in a complimentary way about this 35-year-old large-scale publisher, banker, and multi-faceted businessman, who is surely a unique phenomenon, and not only in connection with the sector of the press.

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PAPER EXAMINES REASONS BEHIND RELIGIONS ATTACKS

NC140719 Istanbul CUMHURİYET in Turkish 11 May 87 p 1, 13

[Unattributed editorial: "From Prayers To Politics in Ramadan"]

[Text] It seems that the investments made in the life of the community and the state have begun to produce results. Regrettably, these investments are not related to the economic field, nor are they aimed at upgrading production. What we are talking about is religious investments in the educational and political domains. We have arrived at a point at which Ramadan 1987 is becoming a month full of incidents throughout the country.

The first incident broke out among Van University students. The supporters of the "Guards of Islam" organization attacked university students not fasting with knives and sticks, resulting in the death of one student and the wounding of five others.

This was followed by an attack on students studying at the Technical Education College affiliated with Gazi University because they were drinking tea instead of fasting.

The third incident, carried by the newspapers yesterday, also concerned students. Two students attending Cebeci Vocational School for Girls were caught trying to poison tea to be served students who were not fasting.

These incidents, which have been covered in detail by the newspapers, indicate that the situation has reached serious proportions. The month of Ramadan has been isolated from the traditional approach of Muslims and is being used as an excuse for religious pressures and clashes. The double standard policy that has prevailed in the educational system for a long time is to blame for the incidents occurring in the universities and the high schools. Meanwhile, the mobilization in state establishments, the National Assembly, the universities, and the schools for building mosques is likely to create major problems in the future. A time may come when people may be divided into two groups; those who go to mosques and those who do not, just as in the case of those who fast and those who do not. This may give rise to clashes in the country.

No one in the universities and other educational institutions 40 years ago would be concerned about whether people fasted during Ramadan, nor would

anyone argue about going to a mosque. The change has been caused by the politicians who have destroyed freedom of faith and rendered secularism inapplicable by using religion as a political instrument over the past 40 years.

What is important is the way in which this state of affairs will be brought to an end, because Ramadan is currently regarded in Turkey as an opportunity for politics and not for prayers.

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